

The Department of Economic Development: Review of Budget and Strategies



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THE DEPARTMENT OF ECONOMIC DEVELOPMENT: REVIEW OF BUDGET AND STRATEGIES

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The purpose of this study is to enhance the County Council's oversight of the County's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development. The Council's request for the project evolved from the Planning, Housing and Economic Development Committee's interest in knowing more about DED's spending and how newly proposed projects fit into an overall economic development strategy for the County. In December 2008, the County Executive transmitted to the Council his new economic development strategy titled, *A Vision for Economic Development in Montgomery County*.

DEFINING AND MEASURING THE OUTCOMES OF ECONOMIC DEVELOPMENT PROGRAMS

There is no universal definition of an economic development program. Across the country, numerous types of public and private entities sponsor activities and projects intended to create or retain jobs, grow the tax base, and/or improve the quality of community life. Economic development organizations offer a wide range of services including: marketing and promotion; grants, loans, and other types of financial assistance for businesses; training and mentoring; and information sharing. Three strategies encompass most economic development activities:

Importing growth strategies focus on attracting investment from outside the region.

Growing from within strategies focus on nurturing businesses already in the locality.

Retaining jobs/business strategies focus on counteracting forces that threaten the viability of local businesses.

The research literature contains few examples of rigorous outcome evaluations of state and local government economic development programs. Measuring the effectiveness of an economic development program requires establishing a cause and effect relationship between a program and its outcomes. With economic development programs, it is extremely difficult to determine whether measured results, such as the number of new jobs or size of tax base expansion, are due to the program or caused by external factors, such as business cycles, tax policies, or natural firm growth. In addition, the cost of such evaluation is often perceived to outweigh its benefits, especially if there is a lack of political interest in conducting a review that might reveal negative results.

RESOURCES AND BUDGETS MANAGED BY DEPARTMENT OF ECONOMIC DEVELOPMENT

In FY09, the County's Department of Economic Development (DED) manages funds appropriated in both the operating and capital budgets that total **\$19.8 million**. DED's personnel costs account for 28% of the resources managed by the Department; other expenses, such as grants, loans, contractual services, and capital projects, account for nearly three-quarters (72%) of this total. The multiple budget approvals that account for these resources include:

- **\$10.5 million approved in DED's departmental operating budget.** The County funds 76% of DED's budget, with the balance (24%) of funds coming from state and federal grant funds, primarily for workforce development activities.
- **\$3.6 million approved in other operating budget accounts.** This includes appropriations to the Economic Development Fund, Non-Departmental Accounts for the Conference Center and the Conference and Visitor's Bureau, and three Community Grants.
- **\$5.7 million in the capital budget** for planned expenditures in FY09 for three CIP projects administered by DED: the Life Sciences and Technology Centers, a Music Venue in Silver Spring, and Agricultural Land Preservation Easements.

DEPARTMENT OF ECONOMIC DEVELOPMENT – ORGANIZATIONAL STRUCTURE AND FUNCTIONS

The Department of Economic Development consists of a Director's Office and five program divisions. The workyears (WYs) and general functions of each division are as follows:

- **The Director's Office (4.4 WYs)** provides strategic planning and supervision to the department, staffs several committees and task forces, and administers several CIP projects.
- **The Division of Finance, Administration, and Special Projects (9.0 WYs)** administers DED's procurement and budget functions, and manages finances for the Economic Development Fund, the Business Innovation Network, and other special programs.
- **The Division of Marketing and Business Development (10.0 WYs)** conducts marketing, outreach, and other activities to attract new businesses and retain existing businesses.
- **The Division of Business Empowerment (11.0 WYs)** provides support services to the County's small- and minority-owned business community and staffs the County's five business incubators.
- **The Division of Agricultural Services (9.8 WYs)** supports the agricultural community, works to preserve the County's farmland, and staffs the Soil Conservation District and Cooperative Extension.
- **The Division of Workforce Services (6.0 WYs)** provides career services at One Stop Centers in the County (primarily through contracts) and offers recruitment services for employers.

MAJOR PROGRAMS AND ACTIVITIES FOR BUSINESS GROWTH AND EXPANSION

Among the three divisions responsible for strategies to develop and support County businesses, DED allocates a majority of its staff and resources to the following programs and activities:

The Business Innovation Network (the County's incubator program) provides office space at or below market rent, support services, priority access to financial assistance, and networking opportunities to serve emerging advanced technology, life sciences, and/or professional services companies. DED operates five incubators, located in Shady Grove, Silver Spring, Wheaton, Rockville, and Germantown, and plans to build a sixth incubator in the Fairland/White Oak area. In FY09, planned expenditures of \$2 million for the program include operating expenses of \$1.3 million and DED staff costs of \$640K.

The Economic Development Fund is a fund that provides assistance to private employers. The Fund's revenue sources are: the County's general fund, loan repayments, investment income, and state grants. In FY09, loan repayments are expected to account for about 25% of the Fund's revenues. In FY09, planned expenditures of almost \$2 million include \$1.8 million for financial assistance and \$122K in DED staff costs. Since it began in FY96, the Fund has assisted 242 businesses and disbursed nearly \$28 million.

Marketing and Outreach Activities. DED engages in numerous marketing, networking, and business education activities, using a blend of in-house staff and contracts. These activities are designed to attract new businesses and retain or grow existing businesses. Some examples of these activities are: funding event sponsorships; participating in conferences and trade shows; organizing trade missions to other countries; and staffing various business task forces and committees.

CIP Projects. DED administers five projects, with scheduled FY09 expenditures totaling \$5.7 million, in the current FY09-14 CIP. The current projects are: Life Sciences and Technology Centers, the Germantown Business Incubator (completed in Oct. 2008), a Music Venue in Silver Spring, Agricultural Land Preservation Easement, and Adventist Healthcare. DED is also exploring the feasibility of a multi-use sports arena.

MONTGOMERY COUNTY'S ECONOMIC DEVELOPMENT TAX CREDIT PROGRAMS

Montgomery County offers four tax credits to encourage qualifying businesses to locate or expand in the County. These tax credits are authorized in State law and implemented by local action in the form of a law, application, or Council Resolution. The Enterprise Zone tax credit was authorized in 1985; the New Jobs and Enhanced New Jobs tax credits in 1998; and the Arts and Entertainment District credit in 2002.

Tax credits are foregone property tax revenue that would otherwise be available to the County's General Fund. In FY08, these credits total approximately \$3.4 million.

MONTGOMERY COUNTY'S ECONOMIC DEVELOPMENT STRATEGIC PLANS: 2004 AND 2008

In December 2008, the County Executive transmitted to the Council a strategic plan titled *A Vision for Economic Development in Montgomery County*. The document sets forth goals for DED and recommends action items for each goal. As currently written, the *Vision* does not include cost information or establish funding priorities among the dozens of action items listed.

The County's previous economic development strategic plan, (approved by the Council in 2004) had defined economic development more broadly to include transportation infrastructure, housing supply, and the general quality of County life. When County Executive Duncan transmitted the earlier strategic plan to the Council, he explicitly requested that the Council adopt the plan. In contrast, the 2008 *Vision* focuses on DED programs and projects, and does not include a specific request for Council action.

THEMES FROM OLO'S REVIEW OF STATE AND LOCAL ECONOMIC DEVELOPMENT STRATEGIES

OLO's assignment from the Council included research on "best practices" in state and local economic development. While OLO found little hard empirical evidence to demonstrate the efficacy of local government economic development programs, including those that are heralded as innovative and award-winning, OLO identified three themes across current local economic development programs:

Communities are making increasing use of the Internet to make economic development services readily available to businesses and entrepreneurs. Many state and local economic development organizations provide searchable market and demographic data on-line. For example, the website of Milwaukee 7 features an interactive map that allows users to search available land and buildings and view satellite images, street-level photos, listings of nearby businesses, and statistical data for specific properties.

Communities are adopting collaborative economic development strategies that involve joint multi-jurisdictional programming and/or greater coordination with the private sector. In many communities, economic development is a collaborative and/or regional effort. For example, "Select Greater Philadelphia" is a regional marketing organization that promotes corporate expansions and relocations in eleven counties in Pennsylvania, New Jersey, and Delaware.

Communities are targeting economic development programs to specific industries, populations or policies. Many strategies target resources to certain industries or disadvantaged populations. For example, the Bilingual Health Care Career Pathways Partnership in Chicago trains members of the Latino community to supply local health care providers with bilingual health care professionals.

OLO also found jurisdictions that are reevaluating their economic development programs or investments. New York State recently tightened eligibility and accountability standards for a longstanding business incentive program; the City of Concord, California discontinued its business incubator program; and the City of Lowell, Massachusetts is currently reassessing its business plan for a publicly-funded arena that has run a deficit each year since it opened in 1998.

RECOMMENDATIONS

The Office of Legislative Oversight offers five recommendations for Council action. The recommendations aim to enhance the Council's oversight of the County Government's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development.

Recommendation #1: In making funding decisions, act with the knowledge that the outcomes of economic development programs are difficult to predict and measure.

The true impact of most state/local government economic development programs is very difficult to measure reliably. Despite this fact, the Council should continue to insist on measures of program costs and anticipated results. When presented with these data, OLO recommends the Council should consistently ask for the details behind the analysis (including all assumptions), and remain mindful that there is rarely going to be proof positive that a result occurred only because of the County Government's activities or investment.

Recommendation #2: Ask the County Executive for a companion document to the *Vision for Economic Development* that provides the costs of the action items and places them in priority order.

To enhance the value of the *Vision for Economic Development* as a tool for Council fiscal decision-making, OLO recommends that the Council ask the County Executive to provide a companion document that:

- Provides cost data on the action items, including estimates of any future year fiscal impacts;
- Clearly indicates which action items could be accomplished within DED's current allocation of resources and which require new funding; and
- Places the goals and specific action items in order of funding priority.

Recommendation #3: To prepare for FY10 budget worksessions, identify specific DED programs for closer scrutiny.

Assuming that the Council wants to focus its attention on the largest portions of the DED budget funded with County revenue, OLO recommends the Council, working collaboratively with the Executive, pursue a more detailed review of the total costs, outputs, and results (to the extent available) associated with the Business Innovation Network; the Economic Development Fund; the various DED contracts funded by local revenue; and DED's outreach and marketing activities.

Recommendation #4: Request a follow-up report that focuses on the history, current use, and administration of the County's four economic development tax credits.

In FY08, the value of the four tax credit programs that the County offers as incentives for qualifying businesses to locate or expand in the County totaled about \$3.4 million. Given the Council's commitment to examining all expenditures during the upcoming budget season and given that tax credits translate into lost revenue to the County, OLO recommends the Council ask for a follow-up report on these tax credits.

Recommendation #5: Explore opportunities for increased Internet use, collaboration with outside partners, and greater targeting of economic development program dollars.

Based on a compilation of information about economic development programs around the country, OLO identified these three emerging themes in state and local practices. The County's Department of Economic Development already engages in each of these practices to some degree, yet OLO recommends that the Council use its budget oversight role to discuss further opportunities for the Department to create efficiencies in economic development spending.

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CHAPTER I. AUTHORITY, SCOPE, AND ORGANIZATION OF REPORT

A. Authority

Council Resolution 16-673, *FY 2009 Work Program of the Office of Legislative Oversight*, adopted July 29, 2008.

B. Purpose and Organization of Report

The purpose of this project is to enhance the Council's oversight of the County Government's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development.

Chapter II, The Challenges of Evaluating Economic Development Programs, provides a general introduction to economic development programs, and summarizes the challenges of evaluating the results of such programs. It also provides examples of the themes and lessons contained in the literature on "successful" economic development programs.

Chapter III, Overview of the Department of Economic Development (DED), presents an overview of DED's mission, current organization, and FY09 budget. The overview includes funds appropriated in the Department's budget plus the Economic Development Fund, non-departmental accounts, and projects in the approved Capital Improvement Program (CIP) administered by DED staff.

Chapter IV, Department of Economic Development's Programs and Activities, describes (by division) the major programs and activities of the Department. It also provides additional information about the Economic Development Fund, CIP projects administered by DED staff, and the County's economic development tax credits.

Chapter V, Montgomery County's Economic Development Strategic Plans and Performance Measures, describes the County Executive's *Vision for Economic Development in Montgomery County* (completed in December 2008) and compares it to the 2004 Strategic Plan for Economic Development. It also reviews the latest measures adopted by CountyStat for tracking the Department's performance, and DED's Performance Plan.

Chapter VI, A Survey of Economic Development Strategies and Case Studies, presents the results of OLO's research to identify innovative and award-winning strategies and case studies of economic development programs and practices used in other communities.

Chapters VII and VIII present OLO's findings and recommendations for Council action. Agency comments on a final draft of this report follow in Chapter IX.

C. Methodology

Office of Legislative Oversight staff members Sarah Downie, Sue Richards, and Karen Orlansky conducted this study, with research and editorial assistance from other OLO staff members. OLO worked extensively with Executive Branch staff to compile DED program and budget information.

OLO conducted a web-based search of research literature, program descriptions, evaluation reports and illustrative case studies to compile the comparative information presented in Chapter VI. The programs and case studies OLO selected include programs funded by the State of Maryland that provide economic development resources to Montgomery County, programs that recently received awards from national economic development organizations or trade associations, such as the IEDC, and programs that otherwise demonstrate innovation.

OLO had anticipated that research into innovative and award-winning state and local economic development programs would result in the identification of outcome-based “best practices.” Instead, due to the inherent challenges in measuring the results of programs designed to increase employment and/or the tax base, OLO’s research found little empirical evidence that reliably demonstrates the results of economic development programs generally, including the specific innovative or award-winning programs included in Chapter VI.

D. Acknowledgements

The Office of Legislative Oversight received a high level of cooperation from everyone involved in this study. We greatly appreciate the information shared and the insights provided by the many individuals who contributed.

OLO owes a special thanks to Pradeep Ganguly, Director of the Department of Economic Development and the many DED staff members who worked with us, including: Peter Bang, Tina Benjamin, Jeremy Criss, Barbara Kaufmann, Katie Knowlin, Lydia Lan, Jennifer Shovlin, and DeVance Walker.

OLO also thanks Assistant Chief Administrative Officer Kathleen Boucher; Chris Cihlar and Ian Boyd from CountyStat; and Justina Ferber from the central County Council staff.

CHAPTER II. THE CHALLENGES OF EVALUATING ECONOMIC DEVELOPMENT PROGRAMS

This chapter introduces the general purposes and common activities of local economic development programs, and summarizes research about the challenges associated with evaluating the results of such programs. It also presents a summary of the literature that offers some themes and lessons learned about how to structure “successful” economic development programs.

Chapter Highlights

- Local government economic development programs aim to increase the number of jobs and grow the tax base by: (1) attracting investment from outside the region; (2) nurturing the growth of local businesses; and/or (3) retaining existing local jobs and businesses.
- Measuring the success of economic development programs poses many difficulties for evaluators. Much of the difficulty lies in determining and quantifying the changes directly *caused by* an economic development program vs. changes caused by other factors, such as general economic conditions.
- In many cases, the cost of a rigorous evaluation of a local government economic development program is perceived to outweigh its benefits; in some situations, the politics involved further discourage a review that might reveal negative results.

Introduction. Federal, state, and local governments classify a broad range of policies and activities as “economic development programs.” As explained in the International Economic Development Council’s reference guide:

The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. As there is no single definition for economic development, there is no single strategy, policy, or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses. Each community, therefore, will have a unique set of challenges for economic development.¹

Across the country, numerous types of public and private entities sponsor economic development programs, including city or county governments, Chambers of Commerce, non-profit organizations, coalitions of regional governments, and community colleges and universities. In a given region, these groups might work together on economic development projects or they may compete with each other.²

¹ International Economic Development Council, Economic Development Reference Guide, http://www.iedconline.org/?p=Guide_Overview

² Timothy Bartik, *Economic Development Strategies*, Upjohn Institute Staff Working Paper 95-33, at p. 3-4 (1995).

Activities and services of economic development organizations vary greatly and can include redevelopment projects, providing capital and other financial assistance to local businesses, training, and technology assistance.³ It has been estimated that state and local governments devote more than \$20 billion annually on direct spending or tax expenditures aimed at achieving one or more local economic development goals of: job creation, job retention, growth in the tax base, and/or improvements in the quality of community life.⁴

The literature identifies three approaches to economic growth to further classify the broad array of programs that state and local governments classify as economic development strategies:

Importing growth strategies focus on attracting investment from outside the region. This category is sometimes referred to as “exogenous” growth. Under this approach, a locality advertises its assets and implements assistance programs to attract businesses to locate or expand in the community.

Growing from within strategies focus on nurturing the growth of businesses already based in the locality. This category is sometimes referred to as “endogenous” growth. Under this approach, a jurisdiction implements programs to build and strengthen local economic assets through assistance to existing business and entrepreneurial development programs.

Retaining existing jobs/businesses strategies focus on counteracting economic forces that threaten the viability of businesses to continue operating within the locality. This approach seeks to increase production capacity or lower production costs for existing businesses facing difficult economic conditions or for businesses considering relocation out of the area.

As part of the scope for this project, the Council requested comparative research to identify award winning and innovative economic development programs. Chapter VI (begins on page 60) presents 20 case studies that illustrate strategies other jurisdictions are using to attract, create and retain jobs and businesses.

Evaluation challenges. Evaluating the impacts of economic development policies on local economic outcomes can give policymakers information “to make an informed choice regarding the policy option that will maximize social benefits.”⁵ An ideal evaluation of an economic development program is able to predict how the outcome of the program would change based on changes in the scope, scale, design, or management of a program.⁶ Additionally:

[A]n ideal evaluation would not only tell us the policies’ impact on local business activity, which is the proximate goal of local economic development policies, but also the policies’ impact on the economic well-being of local residents, the ultimate goal of local economic development policies.⁷

³ Ibid. at p. 8-12.

⁴ Timothy Bartik, *Evaluating the Impacts of Local Economic Development Policies On Local Economic Outcomes: What Has Been Done and What is Doable?*, Upjohn Institute Staff Working Paper 03-89, at p. 4 (Nov. 2002) [hereinafter “*Evaluating the Impacts of Local Economic Development Policies On Local Economic Outcomes*”].

⁵ *Evaluating the Impacts of Local Economic Development Policies On Local Economic Outcomes* at p. 6.

⁶ Ibid.

⁷ Ibid.

However, measuring the success of economic development programs poses many difficulties for evaluators.⁸ Much of the difficulty lies in determining and quantifying the change directly caused by an economic development program.

For example, when a researcher develops an evaluation plan for a program designed to increase jobs and grow the tax base, it is analytically challenging to design a study that can distinguish between change caused by the economic development program itself versus change caused by external factors, such as business cycles, natural firm growth and development, or program participant selection bias.⁹

Often economic development evaluations include data on program activities or local economic conditions, but this type of data “[b]y itself ... does not tell us the impacts of policies on outcomes.”¹⁰ Evaluations of economic development programs that tout the number of jobs created by businesses in the program can “erroneously assume that none of the economic activity would have occurred ‘but for’ the program assistance.”¹¹

Notwithstanding the inherent challenges of economic development program evaluation, methods are available - ranging from the simple to the complex – for conducting such studies.¹² While there are a handful of outcome evaluations (studies that measure the effectiveness and impact of a program), there are more examples of credible process evaluations, which evaluate the internal working of a program. On a continuum, process evaluations are simpler to undertake and focus on how to improve how a program is structured and managed. Outcome evaluations are more complex and costly to conduct.¹³

Measuring an economic development program’s effectiveness can help assess whether a program has met its goals, but requires establishing a cause and effect relationship between the program and outcomes.¹⁴ Few groups undertake this type of evaluation because they often perceive that the cost of the evaluation outweighs the benefits.¹⁵ Because outcome evaluations are expensive, the research suggests that local economic development agencies should consider limiting outcome evaluations to their most expensive programs “for which the possible gains for better policy are the greatest.”¹⁶

Common Themes and Lessons from Studies of Economic Development Programs. While recognizing the difficulties associated with conducting rigorous evaluations of economic development programs, there are studies that have attempted to determine what makes certain economic development programs and projects more “successful” than others.

⁸ See Timothy Bartik and Richard Bingham, *Can Economic Development Programs be Evaluated?*, Upjohn Institute Staff Working Paper 95-29, at p. 4 (1995) [hereinafter “*Can Economic Development Programs be Evaluated?*”].

⁹ Ibid.

¹⁰ *Evaluating the Impacts of Local Economic Development Policies On Local Economic Outcomes* at p. 8.

¹¹ Ibid. at p. 7.

¹² *Can Economic Development Programs be Evaluated?* at p. 2-3.

¹³ Ibid.

¹⁴ Ibid. at p. 3.

¹⁵ Ibid. at p. 19.

¹⁶ *Evaluating the Impacts of Local Economic Development Policies On Local Economic Outcomes* at p. 8.

One study, published in 2002 by the Center for Economic Development at Cleveland State University (the “Cleveland State Report”) reviews the evaluation literature for nearly 50 different economic development projects.¹⁷ The Cleveland State Report organizes its findings according to the four factors of production that drive economic growth: labor, operating costs, capital, and land. Below are some examples of the lessons that the report contains.

Labor strategies are directed toward workforce development, including occupation or industry specific job training. Some key lessons learned are:

- The success of labor force development programs varies across different population groups. For example, some programs have effectively improved opportunities for women re-entering the work force but have had negligible effects for men. Also, some programs have shown positive results for incumbent workers but not new entrants.
- It is important to establish a balance between labor-supply and labor-demand programs. Programs focusing on labor-supply (e.g., skill training) can create displacement effects if labor demand does not rise at the same time.¹⁸

Operating cost strategies attempt to reduce operating costs for businesses through subsidies, incentives, or business assistance programs. Some key lessons learned include:

- To help ensure accountability, the provision of incentive packages should be tied to a financial recourse should a firm fail to meet negotiated performance standards.
- Incentive programs may be structured to further other public policy goals, e.g., linking receipt of an incentive to strong environmental management and compliance, or to an offer of health care insurance to employees.
- Public agencies can play a valuable role in assisting businesses by making information available, but are most effective when they complement rather than substitute for privately-produced information.¹⁹

Capital strategies help businesses obtain the capital needed for start-up or expansion when conventional lending markets fail to meet the needs of firms. Some key lessons learned are:

- Successful capital strategies should avoid stepping into situations where conventional lenders or private investors will meet demand; instead programs must provide or underwrite financing where conventional lending markets will not.
- Policymakers should recognize that these types of loans have high levels of risk and failure and be prepared to incur losses.
- Many studies show that many start-up businesses can benefit from a range of supportive services and that providing these additional services can reduce failure rates.²⁰

¹⁷ Ziona Austrian and Jill Norton, *What Works in Economic Development Practice? An Evaluation of Strategies and Tools*. Center for Economic Development, Cleveland State University, August 2002.

¹⁸ Ibid. at p. 14-15.

¹⁹ Ibid. at p. 30.

²⁰ Ibid. at p. 23.

Land strategies aim to foster economic growth by revitalizing commercial districts or pursuing development opportunities for vacant or underutilized land. Some key lessons learned include:

- Assessments of large-scale projects such as sports or recreation facilities or cultural attractions must recognize the possibility of substitution effects, i.e., where a new activity simply draws resources from another activity in the region.
- Attractions must be able to draw visitors from outside the region to truly result in economic development.
- Many land development strategies provide benefits that may not be quantifiable, such as improvements in the appearance of a neighborhood or increased community pride.²¹

²¹ Ibid. at p. 7-8.

CHAPTER III. OVERVIEW OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT

This overview chapter is organized into three sections:

Section A, Mission, Organization, and Departmental Budget, introduces the Department of Economic Development's mission, organization, and budget.

Section B, Additional Operating and Capital Budget Items Managed by DED, identifies activities managed by DED that are budgeted outside of DED's budget.

Section C, Personnel vs. Operating Expenses, provides information on DED's workyears, and a break down of the Department's personnel vs. operating expenses.

Chapter Highlights

In the current fiscal year (FY09), the Department of Economic Development manages resources that total \$19.8 million. This includes items funded in the operating and capital budgets as follows:

- The Department of Economic Development's FY09 departmental budget is \$10.5 million; 76% is funded by County revenue and 24% by federal and state grants.
- DED also manages \$3.6 million in other operating budget items: the Economic Development Fund, the Conference Center NDA, the Conference and Visitor's Bureau NDA, and grants funded in the Community Grants NDA.
- In addition, DED manages five projects in the approved Capital Improvements Program (CIP) with planned expenditures of \$5.7 million in FY09.

Of the \$19.8 million in resources managed by DED, about 28% is personnel expenses for 50.2 County workyears. The other 72% funds a range of operating and capital project costs, including \$4.5 million in contracts.

A. Mission, Organization, and Departmental Budget

The approved FY09 Operating Budget includes the following mission statement for the Department of Economic Development:

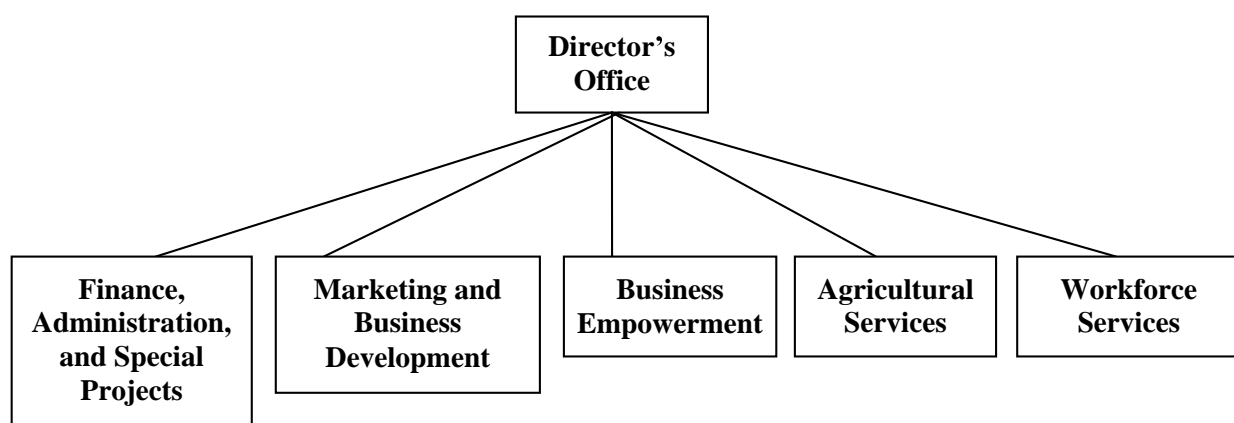
The mission of the Department of Economic Development is to create, attract, retain and expand business in Montgomery County, expand employment opportunities for the residents of the County, enlarge the County's economic base, enhance the competitiveness of the businesses located in the County and promote Montgomery County as a SmartLocation for business – globally.¹

¹ Approved FY09 Operating Budget, Economic Development, page 4-273.

To achieve these goals, DED works to attract new businesses to Montgomery County and retain those that are already located here, assists entrepreneurs trying to start businesses here, provides training and other assistance to individuals in the workforce, administers CIP projects, provides support to the agricultural community through agricultural preservation and agricultural business support, and manages an Economic Development Fund that provides loans to businesses.

Exhibit 3-1 depicts DED's current organizational structure, which consists of the Director's Office and five divisions.

Exhibit 3-1: Department of Economic Development Organizational Chart



The programs and activities of each division are detailed in Chapter IV (begins on page 15). In sum, the general functions of each division are as follows:

- **The Director's Office** provides strategic planning and supervision to the department.
- **The Division of Finance, Administration, and Special Projects** performs office administration, manages the department's budget, and administers special projects and Economic Development Fund programs.
- **The Division of Marketing and Business Development** promotes Montgomery County to attract international and domestic businesses and retain existing businesses.
- **The Division of Business Empowerment** provides support services to the County's small- and minority-owned business community.
- **The Division of Agricultural Services** supports the agricultural community and protects farmland and environmental resources in the County.
- **The Division of Workforce Services** provides career services to adults, youth, and dislocated workers at One Stop Centers in the County (primarily through contracts with outside organizations) and recruitment services for employers.

Table 3-1 on the next page shows the approved FY09 budget for the Department of Economic Development by division and indicates the amounts funded by local vs. federal and state dollars.

The Department's FY09 approved budget is \$10.5 million; County revenue funds 76% of the Department's budget, and federal/state revenue funds the other 24%. The largest infusion of outside funds is a \$2.5 million federal Workforce Investment Act grant that the County receives for services provided by the Division of Workforce Services; the Department also receives \$49K from the State of Maryland as a reimbursement for the salary of the Soil Conservation District manager in the Division of Agricultural Services.

**Table 3-1: Department of Economic Development,
FY09 Operating Budget and Funding Source²
(\$ in 000s)**

Division	Total Budget	Source of Funding	
		County General Fund	Federal/State Funds
Director's Office	668	668	0
Finance, Admin and Special Projects	2,233	2,233	0
Marketing and Business Development	1,685	1,685	0
Business Empowerment	1,338	1,338	0
Agricultural Services	1,004	955	49
Workforce Services	3,607	1,120	2,487
Total	\$10,536	\$8,000	\$2,536

Source: Department of Economic Development; Approved FY09 Operating Budget

Note: Table 3-1 represents DED's total approved FY09 budget before the FY09 Savings Plan was recommended by the County Executive and approved by the Council in late November 2008. As part of the FY09 Savings Plan, DED is reducing FY09 spending by \$182,660 through increased lapse from holding a number of unfilled positions vacant.

B. Additional Operating and Capital Budget Items Managed by DED

In addition to the \$10.5 million allocated in the Department of Economic Development budget, the Department manages a number of other items for which funds are allocated elsewhere in the operating and capital budgets.

Table 3-2 lists the budgets of the Economic Development Fund and three non-departmental accounts (NDAs) that are managed by DED. The Economic Development Fund (EDF) provides grants and loans to businesses in the County. The EDF is administered by DED in cooperation with the Department of Finance. The estimated appropriation for the EDF in FY09 is \$2.0 million.³

² This table incorporates: (1) a transfer of \$10,000 from the Director's Office to the Division of Business Empowerment, (2) a transfer of two positions and the associated personnel costs from the Division of Marketing and Business Development to the Director's Office; and (3) an updated estimate of federal/state grant funds.

³ The Approved FY09 Operating Budget for the Economic Development Fund was \$852,440; however, as of November 2008, the beginning balance was \$1.2 million more than originally estimated.

DED also administers the County's contract with the Conference and Visitor's Bureau (FY09 appropriation of \$567K) and performs operational and fiscal oversight of the Conference Center (FY09 appropriation of \$695K). DED also currently manages several non-competitive contracts funded by the Community Grants NDA that total \$340K in FY09.

**Table 3-2: Other Operating Budget Funds managed by DED,
FY09 Budget as of November 2008
(\$ in 000s)**

Budget Item	Budget	Funding Source
Economic Development Fund	1,952	General fund, loan repayments, prior year appropriations, State grants, investment income
Conference Center NDA	567	General fund (offset by revenue generated)
Conference and Visitor's Bureau NDA	695	General fund (3.5% of Hotel/Motel tax)
Five Grants funded in the Community Grants NDA	340	General Fund
Total	\$3,555	

Source: Department of Economic Development and Approved FY09 Operating Budget

Table 3-3 lists the three Capital Improvements Program projects managed by DED with expenditures scheduled for FY09: the Agricultural Land Preservation Easements project; the Life Sciences and Technology Centers project; and the Music Venue in Silver Spring, whose costs are part of the Cost Sharing project in the CIP.⁴ Expenditures on these three capital projects are expected to be \$5.7 million in FY09.

**Table 3-3: Capital Projects Administered by DED, Planned FY09 Expenditures
(\$ in 000s)**

Project	Budget	Funding Source
Agricultural Land Preservation Easements	2,003	State Agricultural Transfer Tax, Investment Income
Life Sciences and Technology Centers PDF	125	Current Revenue (General)
Music Venue in Silver Spring (Cost Sharing PDF)	3,550	Long-term Financing
Total	\$5,678	

Source: Approved FY09 Capital Budget; excludes dollars planned for other five years in approved CIP (FY10-15)

⁴ The Cost Sharing CIP Project (No. 720601) is on page 17-7 in the Approved FY09-15 CIP and includes County funds for non-profit organizations managed by the Department of Recreation plus the County's contribution to the Music Venue in Silver Spring and Adventist Healthcare, which are managed by DED.

Other recent or pending CIP projects administered by DED include the recently-completed Germantown Incubator project (all appropriations ended in FY08), and Adventist Healthcare, part of the larger Cost Sharing project, with a scheduled expenditure in FY10.

Table 3-4 combines the expenditures managed by DED into one table. As the data show, in FY09, DED is responsible for managing resources that total close to \$20 million, which includes the departmental budget, other operating budget items, and capital projects.

Table 3-4: FY09 Department of Economic Development Operating Budget and Related Budget Items managed by DED
(\$ in 000's)

Funds Appropriated in:	Total	% of Total
DED Operating Budget	10,536	53%
Other Operating Budget Items	3,555	18%
Capital Budget	5,678	29%
Total	\$19,769	100%

Source: DED and Approved FY09 Operating and Capital Budgets

Of the \$19.8 million that DED manages, 53% is appropriated in the departmental budget, while the remaining 47% is appropriated in the Economic Development Fund, non-departmental accounts, and the capital budget. More details about the specific programs and other activities of DED are provided in Chapter IV (begins on page 15).

The Department of Economic Development routinely works with numerous other County Government departments and other County agencies, whose responsibilities include managing programs, projects, and activities that contribute to the County's economic development. Appendix A provides highlights of some of these other locally-funded "economic development" programs and services provided by entities other than DED.

C. Personnel vs. Operating Expenses

Table 3-5 shows the division of resources managed by DED into personnel costs and non-personnel costs. Out of the total \$19.8 million, 28% (\$5.6 million) is budgeted for personnel costs; the other 72% (\$14.2 million) is budgeted for operating expenses and capital project costs. When looking only at DED's departmental budget of \$10.5 million, personnel costs are a higher percent of the total, accounting for approximately half of the Department's appropriation.

**Table 3-5: Approved FY09 Personnel vs. Operating Expenses:
DED Operating Budget and Related Budget Items managed by DED,
(\$ in 000s)**

Funds Appropriated in:	Total	County Personnel Costs	Other Expenses
DED Operating Budget	10,536	5,078	5,458
Economic Development Fund	1,952	122	1,830
Non-Departmental Accounts	1,603	113	1,490
Capital Projects*	5,678	295	5,383
Total	\$19,769	\$5,608	\$14,161
% of Total	100%	28%	72%

Source: The Department of Economic Development; Approved FY09 Operating Budget

*Sources of funding include Current Revenue, Long-term Financing, and the State Agricultural Transfer Tax.

Table 3-6 shows the number of workyears located in each division of the Department, including those funded outside of the Department's budget.

Table 3-6: Approved FY09 Workyears, Department of Economic Development*

Division	Total	Workyears Funded in:			
		DED Budget	Economic Development Fund	Conference Center NDA	Capital Budget
Director's Office	4.4	4.4			
Finance, Admin and Special Projects	9.0	7.0	1.0	1.0	
Marketing and Business Development	10.0	10.0			
Business Empowerment	11.0	11.0			
Agricultural Services	9.8	7.2			2.6
Workforce Services	6.0	6.0			
Total DED Workyears	50.2	45.6	1.0	1.0	2.6

Source: Approved FY09 Operating Budget and the Department of Economic Development

*The workyear data is as of November 2008. Since the Council approved the FY09 Operating Budget in May, DED transferred 2.0 workyears from the Division of Marketing and Business Development to the Director's Office.

The Department's budget (including federal/state grants) funds 45.6 workyears, while an additional 4.6 workyears are funded outside of DED's operating budget:

- The Division of Finance, Administration, and Special Projects has 1.0 workyear funded by the Conference Center NDA and 1.0 workyear funded by the Economic Development Fund.
- The Division of Agricultural Services has 2.6 workyears funded by the Agricultural Land Preservation Easements CIP project.

One of the ten positions in the Division of Marketing and Business Development is physically located in the Mid-County Regional Services Center, although it is funded by DED's budget.

Table 3-6 reflects the workyears approved for FY09, but not all of these positions are currently filled and some may remain vacant for some time, given the current need for budget savings. For example, the Division of Marketing and Business Development director position has been vacant throughout the current fiscal year to create lapse savings.

CHAPTER IV. DEPARTMENT OF ECONOMIC DEVELOPMENT'S PROGRAMS AND ACTIVITIES

This chapter reviews the staffing, major activities, and budgets of the Department's Director's Office and the Department's five divisions to enable greater understanding of the Department's work and priorities. It also includes more detailed descriptions of the Economic Development Fund, the County's tax credit programs for retaining and attracting business, and the CIP projects administered by DED. A table of contents for the programs and activities described in this chapter (with page references) is found on the next page.

The Director's Office (\$4.3 million) provides strategic planning for the Department; staffs a number of committees and task forces (e.g., BioSciences, Economic Advisory Committee); establishes partnerships with federal/state agencies, institutions of higher education, and industry groups; and pursues special initiatives. The Division also administers several CIP projects, including the recently approved project for a music venue in Silver Spring.

The Division of Finance, Administration, and Special Projects (\$4.8 million) performs the procurement and budget functions for the Department, and manages the finances for the Economic Development Fund and the Business Innovation Network (the County's incubator program). The Division also oversees the County's management agreement with Marriott International, Inc. to operate the Conference Center.

The Division of Marketing and Business Development (\$2.4 million) promotes the County as a place to do business through a wide range of marketing, outreach, networking, and education activities. The Division manages eight contracts, including the County's contract with the Conference and Visitor's Bureau, the Technology Council of Maryland, the Maryland/Israel Development Center, and the World Trade Center Institute.

The Division of Business Empowerment (\$1.6 million) focuses on supporting small and minority-owned businesses, federal laboratories, and non-profit organizations. About half of the Division's staff is assigned to staffing the Business Innovation Network (incubators). The Division also manages contracts with the Latino Economic Development Corporation and the Small Business Development Corporation.

The Division of Agricultural Services (\$3.0 million) promotes and supports agriculture in the County. Division staff are divided between the Agricultural Services Team and two separate agencies, the Montgomery Soil Conservation District and Montgomery Cooperative Extension. Division staff also manage the County's Agricultural Land Preservation CIP project, which in FY09 accounts for about two-thirds of the \$3 million that funds this Division.

The Division of Workforce Services (\$3.7 million) provides career services to adults, youth, and dislocated workers in the County and helps businesses recruit employees. Most of the work of the Workforce Services Division is contracted out to outside organizations, and 2/3 of the Division's work is funded by federal/state grants. The largest contract, \$2.6 million, funds the Montgomery Works program.

FY09 Budget by Division: Summary of Activities and Programs

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A. FY09 Budget Summary by DED Division

This section describes the budget and major activities/programs of each division in the Department of Economic Development (DED). DED staff emphasized that while funding and lead responsibilities are assigned by division, staff in the Department work collaboratively across division lines on many activities and programs.

1. Director's Office

Table 4-1 summarizes the approved FY09 budget for the Director's Office, including workyears and operating expenses. The budget data presented includes the approved FY09 costs of the two CIP projects administered by staff in the Director's Office.

Table 4-1: FY09 Budget - Director's Office
(\$ in 000s)

	Total	Funds Appropriated in:	
		DED Operating Budget**	Capital Budget
A. Workyears	4.4	4.4	
B. Personnel Expenses	\$645	\$645	
C. Operating Expenses	\$23	\$23	
Consultant Contracts	10	10	
Non-Local Travel	8	8	
Other	5	5	
D. CIP Projects	\$3,675		\$3,675
Music Venue in Silver Spring*	3,550		3,550
Life Sciences and Technology Centers	125		125
Total (B+C+D)	\$4,343	\$668	\$3,675

Source: Department of Economic Development, Approved FY09 Operating Budget, and Approved FY09-14 CIP.

*The dollar amount shown for this project is the amount listed in the approved Cost Sharing PDF.

Overview of Staff Activities and Costs. The Director's Office provides strategic planning for the Department; establishes partnerships with Federal/State agencies, institutions of higher education, and industry groups; creates global linkages; and pursues special initiatives. In FY09, the Director's Office includes 4.4 workyears with associated personnel costs of \$645K and operating costs of \$23K for consultant contracts and non-local travel. The Director's Office provides staff support for a number of task forces/committees and manages several CIP projects with planned expenditures of \$3.7 million in FY09.

Economic Advisory Council. In December 2008, DED also announced that the County Executive plans to reconstitute the Montgomery County Economic Advisory Council (EAC) as a vehicle for local business leaders to have direct input on the County's economic development strategies and policies. The EAC will also serve as a forum for the County Government to share its economic development vision, mission and programs. The EAC will be comprised of 30 individuals (appointed by the Executive) representing private industry, academia, and the Federal Government. The EAC's composition and work program will be announced in early 2009.

Biosciences Task Force. Staff from DED's Director's Office have worked with the County Executive to form a Biosciences Task Force to contribute to the goal of strengthening and growing the bioscience community in Montgomery County. The task force – which consists of 34 bioscience leaders drawn from academia, government, and the private sector – held its first meeting on October 6, 2008.

According to the County Executive, the Task Force will help the County develop a new bioscience strategy to ensure the ongoing success and growth of this critical industry segment. The Task Force will identify actions to “help the County better leverage its competitive strengths; build stronger partnerships with the private sector, Federal and State Government, academia and other industry stakeholders; and work to attract new, large private sector companies with the resources to accelerate the commercialization of products and services.”¹

CIP Projects. The Director's Office administers several economic development projects that are funded in the CIP. As shown in Table 4-1, two of these CIP projects have expenditures scheduled in FY09 for a total of \$3.7 million. (See page 46 for more details on these projects.)

The Director's Office staff also work on studies that explore the feasibility of projects before they are considered for full CIP funding. For example, DED currently has a contract with the Maryland Stadium Authority to explore the possibility of developing a multi-use arena; as of this writing, a second phase of a feasibility study is underway.

2. Division of Finance, Administration, and Special Projects

Table 4-2 summarizes the approved FY09 budget for the Division of Finance, Administration, and Special Projects, including workyears and operating expenses for which funds are appropriated in DED's budget, the Economic Development Fund, and the Conference Center, NDA.

¹ Montgomery County News Release, October 6, 2008.

Table 4-2: FY09 Budget - Division of Finance, Administration, and Special Projects
(\$ in 000s)

	Total	Funds Appropriated in:		
		DED Operating Budget	Economic Development Fund*	Conference Center NDA**
A. Workyears	9.0	7.0	1.0	1.0
B. Personnel Expenses	\$979	\$743	\$122	\$113
C. Operating Expenses	\$3,774	\$1,490	\$1,830	\$454
Incubator Program (without staff) ²	1,349	1,349		
Economic Development Fund	1,830		1,830	
Conference Center	454			454
Office Expenses	132	132		
Other	9	9		
Total (B+C)	\$4,753	\$2,233	\$1,952	\$567

Source: Department of Economic Development and Approved FY09 Operating Budget

*The EDF funds one position that covers the administrative function of the fund such as monitoring the expenditures and loan repayment, preparing the annual report, transaction underwriting, and bad debt collection.

** The Conference Center Non-Departmental Account funds one position to oversee the County's contract with the Conference Center.

Overview of Staff Activities and Costs. In FY09, the Division of Finance, Administration, and Special Projects includes 9.0 workyears with associated personnel costs of \$979K. The operating expenses for the Division are another \$3.8 million, for a total Division budget of \$4.8 million.

The core functions of staff in the Division include procurement, budget planning and execution (for the entire Department), co-management of the County's Economic Development Fund (EDF) in conjunction with the Department of Finance, and management of the finances for the incubator program and County's Conference Center. The incubator program and conference center expenses are described below; more details on the Economic Development Fund begin on page 37.

Incubator Program (\$1.3 million, not including staff costs). Montgomery County's incubator program is called the Business Innovation Network. DED operates five incubators in the County and has plans to build an additional facility in the East County. The mission of the Business Innovation Network is "to create a positive economic impact to the County by supporting the growth and development of local businesses."³

² The operating costs of the incubator program are reflected here, but the staff costs are allocated to the Division of Business Empowerment, which has 6.0 WYs dedicated to the management of the incubators.

³ Department of Economic Development, Montgomery County Incubator Network Annual Report, April 2008.

The Business Innovation Network serves local, national, and international emerging companies in advanced technology, life sciences, and/or professional services. The program provides office space at or below market rent for start-up businesses, which also receive support services, educational resources, priority access to financial assistance, and networking opportunities.

The five County incubators are located at Shady Grove, Silver Spring, Wheaton, Rockville, and Germantown. The proposed sixth incubator would be included in the 115 acre Site II development in the Fairland/White Oak area of the County. Together, the incubators have a total capacity of 115 to 160 companies. The County's first incubator was opened in 1999 in Shady Grove, while the newest incubator, located in Germantown, was opened in October 2008.

The Division of Finance, Administration, and Special Projects manages the County's financial involvement in the incubator program. The Division's FY09 budget for the program includes \$1.3 million for debt service and related operating expenses, but it excludes the cost of on-site staff. Funds for these costs are budgeted in DED's Division of Business Empowerment. For more information on the incubator staff costs and activities, see page 27.

The Maryland Economic Development Corporation (MEDCO) co-financed and currently co-owns two of the incubators and uses tenant rent to service their debt.⁴ Once this debt is paid off, the County will assume full ownership of these incubators. Appendix B contains more details on the operations and overall costs of the incubators.

2006 NACO Award Winner and 2007 IEDC Award Winner

The **Business Incubator Network Program** received the National Association of Counties (NACO) Achievement Award in 2006 and the International Economic Development Council (IEDC) Best Practice Award – Honorable Mention in 2007. The NACO award credited the Business Incubator Network Program with serving more than 120 start-up businesses, generating nearly 1,500 jobs and injecting more than \$500 million in capital investments in the County. The IEDC award stated the companies have attracted more than \$50 million in equity investment and that they contribute about \$4 million annually in local taxes.

Conference Center (\$567K in the NDA). The approved FY09 appropriation for the Conference Center non-departmental account is \$567K; this includes \$454K in operating costs and \$113K in personnel costs for one workyear. The workyear is for one full-time DED staff member to manage the operational and fiscal oversight of the Conference Center complex and staff the Conference Center Management Committee, which is the executive committee for the facility. This year, the County expects to collect revenue from the Conference Center that will exceed the expenses for which funds are appropriated in the NDA. As noted below, given the changes in economic conditions since the FY09 budget was approved, the actual net revenue is likely to be lower than initially projected.

⁴ MEDCO manages some of the operations of the incubator facilities such as maintenance and collecting tenant rent.

The Conference Center, which opened in 2004, was “constructed as a profit-making enterprise that would contribute revenues to the County General Fund.”⁵ It was jointly financed by the State and the County. The State’s portion of the financing was raised through bonds issued by the Maryland Stadium Authority. The County’s portion was raised through bonds issued by the Montgomery County Revenue Authority. The total project cost was approximately \$40 million. Once the bonds are paid off, the County will assume ownership of the facility.⁶

The County has a Management Agreement with Marriott International Inc. to run the Conference Center. (Marriott also runs the hotel attached to the Conference Center.) Under the agreement, Marriott establishes prices at the Center. The agreement also allows six days each year for County use without incurring meeting facility rental fees.

The County provides funds each year through the Conference Center NDA for major repairs and the DED staff position. Marriott receives a base management fee of 3% of gross revenue. Once the net operating income reaches \$500K in a Marriott fiscal year, Marriott receives an incentive management fee of 25% of any additional net operating income. Marriott distributes the remaining net operating income to the County, projected to be \$1.4 million in FY09. The County will also receive \$319K in land rent from the hotel attached to Conference Center.

The table below shows the projected revenue and costs associated with the Conference Center, as prepared when the FY09 budget was approved. At that time, the County was projecting net County revenue of \$1.2 million. **In January 2009, DED staff indicated that the projection of net revenue from the Conference Center is likely to be lower as a result of the deteriorated economic conditions.**

**Table 4-3: FY09 Budget: Conference Center
Projected Revenue and Expenses
(\$ in 000s)**

County Expenditure	
Operating Expenses	\$454
Personnel Expenses	\$113
Total Expenditure	\$567
County Revenue	
Land Rent from Hotel	\$319
Net operating income	\$1,405
Total (Gross) Revenue	\$1,724
Net County Revenue	\$1,157

Source: Department of Economic Development and Approved FY09 Operating Budget

⁵ Memorandum from Council staff to PHED Committee; July 10, 2008.

⁶ The County’s bonds are being paid off through net operating revenues from the Conference Center and the County’s hotel/motel tax, which was raised from 5% to 7% in order to help finance the Conference Center.

3. Division of Marketing and Business Development

Table 4-4 summarizes the approved FY09 budget for the Division of Marketing and Business Development, including workyears and operating expenses for which funds are appropriated in DED's budget, the Conference and Visitor's Bureau NDA, and the Community Grants NDA.

Table 4-4: FY09 Budget - Division of Marketing and Business Development
(\$ in 000s)

	Total	Funds Appropriated in:	
		DED Operating Budget	Non Departmental Account
A. Workyears	10.0	10.0	
B. Personnel Expenses	\$1,177	\$1,177	
C. Operating Expenses	\$1,229	\$509	\$720
Conference and Visitor's Bureau Contract*	695		695
Advertising	115	115	
Event Sponsorships	90	90	
BIO Conference and Trade Show	75	75	
Non-Local Travel **	62	62	
CoStar Realty Information Contract	28	28	
Green Technology Initiative	43	43	
Technology Council of Maryland Contract	25	25	
MD/Israel Development Center Contract***	25		25
World Trade Center Institute Contract	25	25	
Salesforce Database Mgt. Systems	21	21	
Montgomery County Chamber of Commerce	15	15	
Other	10	10	
Total (B+C)	\$2,406	\$1,686	\$720

Source: Department of Economic Development and Approved FY09 Operating Budget

*The funding for the Conference and Visitor's Bureau is in its own NDA.

**Includes \$40K for a trade mission to China and South Korea

***The contract with the MD/Israel Development Center is a non-competitive award funded by the Community Grants Non-Departmental Account.

Overview of Staff Activities and Costs. The Division of Marketing and Business Development “promotes the assets, advantages and opportunities available within Montgomery County for domestic and international businesses” in order to attract businesses from outside of the County and retain businesses already located here.⁷

⁷ FY09 Operating Budget and Public Services Program FY09-14; p. 4-274.

In FY09, the Division of Finance, Administration, and Special Projects includes 10.0 workyears with associated personnel costs of \$1.2 million. The operating expenses for the Division are another \$1.2 million, for a total Division budget of \$2.4 million. The Division is staffed with business development specialists who promote the County through event attendance, advertising, media relations, and informational materials.

Division staff meet with company representatives during business visits, conferences, and other events to build relationships, market the County's services, and identify prospects for loan programs. Staff also provide support services to businesses, including needs assessments, financial and training assistance, site identification, and expediting and coordinating development. The Division works closely with the Maryland State Department of Business and Economic Development and other local partners.

Conference and Visitors Bureau Contract (\$695K in the NDA). DED manages a \$695K contract that the County holds with the Conference and Visitors Bureau (CVB) to promote tourism in Montgomery County. The Conference and Visitors Bureau is designated in the FY09 Approved Budget as an entity on the non-competitive contract list.

The CVB promotes Montgomery County as a tourist destination to meeting planners, group tour operators, and travel writers; creates and distributes publications; and conducts public information campaigns. CVB staff work closely with the Division of Marketing and Business Development on marketing activities and also coordinate with the State Department of Tourism. The Conference and Visitors Bureau has an administrative office co-located with DED and a Visitor Information Center in Germantown.

Attracting visitors to Montgomery County contributes to the hotel/motel tax (i.e., the room rental and transient tax), which is a 7% tax on the amount paid for a room rental at a hotel or motel for sleeping accommodations. In FY09, the hotel/motel tax is projected to generate \$19.9 million in revenue. Tourists also contribute to the local economy by spending money on shopping, food, and entertainment.

The Conference and Visitors Bureau is funded from a non-departmental account (NDA) created in FY95. The CVB currently has four staff positions that share office space with DED in Rockville. County Code Section 52-16 requires that at least 3.5% of the revenue from the County's hotel/motel tax be used for the CVB "to promote travel to the County."⁸

For FY09, the Council approved \$695K for the Conference and Visitor's Bureau NDA. County funding is the CVB's primary source of revenue, but it also receives funds from the Maryland Office of Tourism Development Grant, membership dues, and other private sources. In FY09, the expected revenue from these other sources is \$207K, for a total budget of \$902K.⁹

⁸ County Code § 52-16(l). The Department of Finance projects the revenue that will be generated by the hotel/motel tax before the start of the fiscal year and appropriates 3.5% to the CVB. If the actual revenue is greater than projected, the Council approves a supplemental appropriation for the CVB Non-Departmental Account.

⁹ Memorandum from Council Staff to the PHED committee; April 14, 2008; p. ©4.

Advertising (\$115K). The Division plans to spend about \$115K on advertising and promotional materials in FY09. DED markets the County through local, national, and international advertising in newspapers and other media outlets. DED also purchases and distributes promotional materials with DED's logo on it.

Event Sponsorships and the BIO Conference and Trade Show (\$165K). The Division plans to spend approximately \$90K on event sponsorships in FY09. This includes \$30K for the AT&T National golf tournament and smaller sponsorships for events held by local chambers of commerce and business associations. DED staff attend these events for the purposes of networking and marketing the County. The Division of Business Empowerment also sponsors similar events. The BIO Conference and Trade show is the biggest biotech event that DED staff attend each year.

Non-Local Travel (\$62K). In FY09, DED's budget includes \$62K for non-local travel. Of this amount, \$40K was for a business development trip to China and Korea. In addition to DED staff, the trip delegation included the County Executive, 20 County business owners and executives, and State economic development staff. The purpose of the trade mission was to "strengthen existing investment and collaborating opportunities forged over the past six years with Korea, and lay the groundwork for similar, strategic business growth opportunities in China."¹⁰ The delegation met with many businesses in Korea and China to promote investment in Montgomery County and increase business opportunities abroad for local businesses.

CoStar Realty Information (\$28K). CoStar Realty Information, Inc. is designated in the FY09 Approved Budget as an entity on the non-competitive contract list. DED manages the \$28K contract with CoStar Realty Information, Inc., which is for providing real estate information.

CoStar has detailed data on properties in the area, which DED uses to assist businesses that are looking for office space. CoStar also has information on facility tenants, such as the number of employees and the length of their lease, which DED uses when working on business retention.

Green Technology Initiative (\$43K). DED is working on a new Green Technology Initiative to promote the creation, expansion, attraction, and retention of green businesses that create environmentally sustainable products and services. The purpose of the initiative is "to create a green industry cluster that will generate economic, environmental and social value for the County's businesses, residents, and region as we combat climate change and protect natural resources and ecosystems worldwide."¹¹

DED has budgeted \$43K in FY09 for a contract with the Sustainable Design Group (a consultant based in Gaithersburg), to develop a "10-Point Plan" to guide the County's green economic development initiative. In order to develop the plan, the consultant will perform research on the County's existing green industry cluster and examine opportunities for growth given the County's comparative advantages.¹²

¹⁰ Montgomery County, Maryland News Release, October 27, 2008.

¹¹ Montgomery County Request for Proposals; "Green Technology 10-Point Plan"; August 25, 2008.

¹² DED issued an RFP on August 25, 2008.

DED is also looking at existing financing and training programs in DED to determine whether they could better support a green initiative. DED is working with the County Executive to form a Green Economy Task Force with representatives from green businesses and academic institutions in the area. The task force will work with the consultant to develop the green initiative in the County. DED is working closely with staff in the County's Department of Environmental Protection (DEP) on this initiative.

Technology Council of Maryland (\$25K). The Technology Council of Maryland is designated in the FY09 Approved Budget as an entity on the non-competitive contract list. The Technology Council of Maryland is a technology trade association with over 500 members in Maryland, Washington, D.C., and Virginia. It was first housed in the Shady Grove Innovation Center, the County's first incubator, before it acquired its own space in 2007.

DED administers the \$25K non-competitive contract with the Technology Council of Maryland. The goal of the contract is to attract and retain major biotechnology and IT companies and improve the County's communication with these companies. More specifically, the contract requires that the Technology Council provide DED with marketing opportunities, such as allowing DED to display promotional literature at the Technology Council's Montgomery County events and providing a link on their website to DED's website; passes to all Technology Council seminars and networking events to be used by DED staff or the staff of incubator companies; and a list of event attendees.

Maryland/Israel Development Center Contract (\$25K in the NDA). The County holds a \$25K non-competitive contract with the Maryland/Israel Development Center. The contract is funded out of the Community Grants NDA in FY09, and therefore the funding is not part of the Department's budget. The purpose of the contract is to help create jobs in Montgomery County and Israel through trade and investment.¹³

The Maryland/Israel Development Center is a non-profit organization that promotes trade, joint ventures, and investment between Maryland and Israeli businesses and research institutions. Among other services, the organization has a program called the Israel Market Access Program, which helps Maryland companies gain access to the Israeli market by providing market research and business support. The Center also conducts trade missions to Israel for Maryland business executives and hosts Israeli business delegations in Maryland.¹⁴

World Trade Center Institute Contract (\$25K). The County holds a \$25K non-competitive contract with the World Trade Center Institute in FY09. The Institute, located in Baltimore, MD, offers international networking opportunities to clients and members. The organization was founded in 1989. The Institute also organizes the annual Embassy Day event, a gathering of diplomats and company executives, which is held at the Conference Center in North Bethesda.

The Division's budget also includes funds for two additional expenditures: \$21K for the Salesforce Database Management Systems and \$15K for the Montgomery County Chamber of Commerce.

¹³ FY09 Non-Competitive Contract List, Attachment to Resolution 16-577, Approved FY09 Operating Budget.

¹⁴ Maryland/Israel Development Center website; accessed December 3, 2008.

4. Division of Business Empowerment

The Department of Economic Development established a separate Division of Business Empowerment (DBE) in FY08 by reassigning several staff members from the Director's Office to focus on small and minority-owned businesses. The Department's working definition of a "small business" is a business with fewer than 100 employees. During the past year, the Division's charge has expanded to working with federal laboratories and non-profit organizations.

Table 4-5 summarizes the approved FY09 budget for the Division of Business Empowerment, including workyears and operating expenses for which funds are appropriated in DED's budget and the Community Grants NDA.

Table 4-5: FY09 Budget - Division of Business Empowerment
(\$ in 000s)

	Total	Funds appropriated in:	
		DED Operating Budget	Community Grants NDA
A. Workyears	11.0	11.0	
B. Personnel Expenses	\$1,258	\$1,258	
C. Operating Expenses	\$336	\$81	\$255
Latino Economic Development Corp. (LEDC) Contract*	255		255
Small Business Development Center (SBDC) MOU	50	50	
Business Appreciation Week	15	15	
Non-Local Travel	5	5	
Event Sponsorships	6	6	
Other	5	5	
Total (B+C)	\$1,594	\$1,339	\$255

Source: Department of Economic Development and Approved FY09 Operating Budget

*The contract with the Latino Economic Development Corporation is a non-competitive award funded by the Community Grants Non-Departmental Account.

Overview of Staff Activities and Costs. The Division of Business Empowerment has 11 workyears with associated costs of \$1.3 million; about half of the Division's staff (6.0 WYs) is assigned to the incubator program. (As reviewed on page 19, operating expenses for the incubators are funded in the Division of Finance, Administration, and Special Projects)

Division staff meet with small businesses and answer phone calls from businesses requesting assistance. DED has developed written materials that provide information to small businesses about resources available to them in the County and assistance they may be eligible for.¹⁵ Staff provide a number of workshops and seminars to disseminate information to specific groups. The Division also identifies and helps businesses apply for the Micro-Enterprise Program in the Economic Development Fund (see page 42).

The Division has operating expenses of \$336K, most of which is for two contracts: a \$255K contract with the Latino Economic Development Corporation and a \$50K memorandum of understanding with the Small Business Development Corporation. More details on the Division's staff activities and operating expenses are described below.

Strategic Partnerships. Division staff develop strategic partnerships with a variety of organizations to support local businesses.

- **Small Business Resource Organizations.** In addition to the contracts with the Latino Economic Development Corporation and Small Business Development Corporation, the Division works with the Small Business Administration and Montgomery College to provide training and counseling to small businesses. For example, the Hispanic Business Institute at Montgomery College provides sessions on business development to new and existing Latino entrepreneurs.
- **Chambers of Commerce.** The Division works with local chambers of commerce such as the Gaithersburg, Wheaton, and Bethesda Chambers of Commerce. The Division also works with the Hispanic Chamber of Commerce, the African American Chamber of Commerce, and the Asian American Chamber of Commerce.
- **Business Organizations.** The Division works with business organizations that assist small and minority businesses, such as Maryland Washington Minority Contractors Association and Women Business Owners of Montgomery County.
- **Governmental.** The Division works with other County, State, and Federal agencies to provide support for local small businesses. Examples include the County's Department of General Services, the State Department of Business and Economic Development, the Governor's Office of Minority Affairs, and the U.S. Internal Revenue Service.

The Business Innovation Network (the incubator program). Staff members in the Division of Business Empowerment manage the day-to-day operations of the incubators, while the financing is managed by the Division of Finance, Administration, and Special Projects. The six workyears assigned to the incubators include a manager of the program and one business development specialist located in each of the five incubators. The cost of the incubator staff positions for FY09 is \$640K.

¹⁵ For example, the Division has created a "Small Business Guide to Major Public and Private Contracting Agencies," which has descriptions and contact information for public and private sector agencies that could be potential customers for businesses.

Staff located at each incubator coordinate support services that are offered to businesses such as providing one-on-one counseling and bringing in experts to do additional training. All staff members within the Division also market and recruit businesses to participate in the program.

Small Business Mentorship Program. DED manages Montgomery County's Small Business Mentorship Program with support from the Washington, D.C. Service Corps of Retired Executives (SCORE) and the private sector business community. Companies who have experience operating a successful business act as mentors to individuals who are starting a business career.¹⁶ The mentors give advice on issues such as financial recordkeeping, inventory control, developing a marketing strategy, tax and legal issues, and personnel problems.

Small Business Technical Assistance Conference. The Division of Business Empowerment coordinates an annual small business resource conference targeted at start-up businesses, expanding businesses, and more advanced business leaders. The event brings together several resource organizations with seminars that address issues commonly faced by small businesses. The Division held this event in FY08 at a cost of \$24,820, but so far it has not been budgeted for FY09.

Latino Economic Development Corporation (LEDC) Contract (\$255K in the NDA). The Division administers a non-competitive contract with the Latino Economic Development Corporation. In FY09, the \$255K contract is funded out of the Community Grants NDA. The current contract with LEDC is for the following:

- \$68K to launch the Local First Montgomery business initiative in Wheaton, Silver Spring, Kensington, and Takoma Park by organizing and promoting locally-owned businesses in these areas. This includes the production of a guide of locally-owned businesses for consumers.
- \$32K to pay the cost of leasing space occupied by LEDC in Wheaton.
- \$155K to expand LEDC's business loan, training, and technical assistance activities.

The contract requires LEDC to submit quarterly reports describing progress on the activities outlined in the contract and a final report detailing the results of the work performed.

Small Business Development Center Memorandum of Understanding (MOU) (\$50K). DED staff report that they frequently refer existing and new small businesses to the University of Maryland's Small Business Development Center Network (SBDC) for assistance. The Division of Business Empowerment administers an FY09 Memorandum of Understanding (MOU) for \$50K between the County and SBDC. Under the terms of the MOU, SBDC:

- Provides technical assistance by responding to requests for information and performing counseling and training in several areas, such as how to start a business, develop a business plan, market business services or products, and obtain financing.

¹⁶ Mentors have included major corporations such as Sodexo, the Marriott Corporation, and PEPCO.

- Markets the County’s economic development resources and services including DED programs for small businesses such as the Small Business Mentorship Program, the Small Business Revolving Loan Program, and the Micro-Enterprise Program.
- Provides additional support for the County’s Micro-Enterprise Program by “creat[ing] a technical assistance plan for each Microenterprise Loan Program applicant referred to the SBDC by the County.”

Business Appreciation Week (\$15K). During Business Appreciation Week, teams of Division staff members visit businesses throughout the County to thank them for locating in the County and to educate them about County programs, services, and resources. The teams are made up of County department directors, other County staff, and representatives from local business and community organizations.¹⁷ In addition to dedicating staff time to this endeavor, the Division plans to spend \$15K in operating expenses for a reception for County businesses at the Conference Center during Business Appreciation Week.

5. The Division of Agricultural Services

The Division of Agricultural Services works to support and promote the viability of the agricultural industry in Montgomery County and to protect farmland in the County. Table 4-6 summarizes the approved FY09 budget for the Division, including workyears and operating expenses for which funds are appropriated in DED’s budget and the Capital Budget.

¹⁷ According to DED staff, there were 28 teams assembled, who visited over 500 businesses within a one-week period.

Table 4-6: FY09 Budget - Division of Agricultural Services
(\$ in 000s)

	Total	Funds Appropriated in:	
		DED Operating Budget	Capital Budget**
A. Workyears	9.8	7.2	2.6
Agricultural Services Team	4.0	1.4	2.6
Montgomery Soil Conservation District*	4.0	4.0	0
Montgomery Cooperative Extension (MCE)	1.8	1.8	0
B. Personnel Expenses	\$1,025	\$730	\$295
C. Operating Expenses	\$273	\$273	
Montgomery Cooperative Extension	150	150	
Other	22	22	
Deer Management	20	20	
Agricultural Marketing and Promotion	20	20	
Communications for Ag Services and MCE	18	18	
Farmer's Market and Farm Tour	15	15	
Weed Control Contract***	10	10	
MCE Travel Support	10	10	
Montgomery Soil Conservation District	8	8	
D. CIP Project: Ag Land Preservation Easement	\$1,708		\$1,708
Total (B+C+D)	\$3,006	\$1,003	\$2,003

Source: Department of Economic Development; Approved FY09 Operating and Capital Budgets and FY09-14 CIP

*The State reimburses the County General Fund \$48,710 for 1.0 WY in the Soil Conservation District

**CIP Project No. 788911: Ag Land Pres Easements

***The total contract with Montgomery County Weed Control is \$32K, with \$22K from the Department of Transportation's budget.

Overview of Staff Activities and Costs. County staff in the Division are divided among the Agricultural Services Team (4.0 WYs) and two separate agencies that are co-located with the Division: the Montgomery Soil Conservation District (4.0 WYs) and the Montgomery Cooperative Extension (MCE) (1.8 WYs). Both of these agencies also have staff from the State of Maryland. The operating expenses listed in Table 4-6 include funding for both of these co-located agencies as well as several Agricultural Services team activities and programs.

Division staff represent the interests of the agricultural community in local and state policy matters and manage several programs described below. The Division works with a variety of County agencies, the Agricultural Advisory Committee, and the Agricultural Preservation Advisory Board to carry out these activities. (See Appendix C for a description of these two groups.)

In FY09, the Division receives \$1.0 million from DED's operating budget and \$2.0 million from the Agricultural Land Preservation Easement CIP project. Out of the \$3.0 million total, \$1.0 million (34%) is for personnel expenses and \$2.0 million (66%) is for other expenses.

Montgomery Soil Conservation District (\$8K). The State of Maryland has 24 Soil Conservation Districts, one of which is in Montgomery County.¹⁸ The Conservation District is a political subdivision of the State, established in State law and governed by a five-member Board of Supervisors.¹⁹ The Soil Conservation District is funded and staffed by a combination of county, state, and federal funds. In FY09, 4.0 County workyears are part of the Soil Conservation District in Montgomery County; the County is reimbursed \$48,710 by the State for one of these positions. The County also provides \$8K for operating expenses.

The Soil Conservation District staff provide technical assistance and education to farmers and landowners to help them improve the soil and water quality on their land through conservation practices. Activities include meeting with farmers, participating in educational events for students, and publishing a newsletter twice a year with information on State and County assistance programs for landowners.

Montgomery Cooperative Extension (\$150K). The Cooperative Extension is the agricultural outreach education component of the University of Maryland; it is funded and staffed by the County, the University of Maryland, and the U.S. Department of Agriculture. In FY09, the County's contribution is 2.0 workyears and \$150K in operating expenses.

The Cooperative Extension provides education and assistance to farmers on topics such as nutrient management, raising crops and livestock, farm and business management, marketing commodities, and horticulture. The Cooperative Extension also has programs for family and youth such as home horticulture and family budgeting. The staff provide assistance through activities such as fielding phone calls; speaking with visitors; visiting farms; publishing newsletters; and sponsoring public meetings, tours, demonstrations, and expos/fairs.

Agricultural Marketing and Promotion (\$20K). The Division of Agricultural Services helps County farmers market their agricultural products so they can reach retail and wholesale customers in the region. The Division's activities include:

- **The Farm Tour and Harvest Sale**, an annual event designed to attract Montgomery County residents to farms where they can purchase produce and participate in activities such as pick-your-own fruit. In July 2008, 14 farms participated, many of which are located in the Agricultural Reserve.
- **The Farm Directory for Montgomery County**, published bi-annually, is a listing of farms, products and services offered by each farm, and a map of on-farm markets open to the public.

¹⁸ Code of the State of Maryland, Agriculture § 8-301.

¹⁹ Four members of the Board of Supervisors are appointed by the State Soil Conservation Committee and one member is appointed by the Montgomery County Council.

- **Farmers' markets** offer a venue for local farmers to sell their food products directly to residents near where they live and work. Farmers' Markets typically take place in temporary locations in the down-county area from April to November each year. In addition to promoting County Farmers' Markets, the Division provides administrative support to the Montgomery County Farmers Market Association, Inc.²⁰

Weed Control Contract (\$10K). The County holds a non-competitive contract with Montgomery Weed Control, Inc. for \$32K in FY09. The contractor sprays on County rights-of-way at a cost of \$22K to the County's Department of Transportation; DED contributes an additional \$10K for the administrative expenses for weed control services to farmers and other landowners who need to remove noxious weeds prohibited by State law.

Deer Management Programs (\$20K). A 2004 survey showed that County farmers were experiencing crop losses due to the overpopulation of white-tailed deer. As a result, the Division has worked with M-NCPPC, the Deer Management Work Group, Montgomery Soil Conservation District, Maryland Cooperative Extension, and the Maryland Department of Natural Resources on a Countywide deer management effort.

As part of their deer management activities, Division staff work to encourage hunting on private property. The Division was involved in the effort to pass Bill 43-05, which amended the County weapons law (Chapter 57 of the County Code) to allow for more flexibility for deer hunting in the County. The law passed on December 4, 2007 and went into effect in March 2008. During fire arms hunting season, deer hunting under controlled circumstances is allowed on parcels of land that are 50 acres or larger.²¹

The Division also administers a Deer Donation Program for farmers and hunters to donate venison to charity. Under a County Memorandum of Understanding, Willard Farms collects donated deer from two donation sites (Poolesville and Laytonsville) and transports the deer to a processing facility, while Farmers and Hunters Feeding the Hungry facilitates the processing and distribution of the venison to charitable organizations. In FY09, the MOU provides each organization with a maximum of \$10K for these services for a total of \$20K.

Emergency Agricultural Assistance Program (\$1.5 million in FY07). This program does not appear in the FY09 budget because it does not have any current year appropriations. On three different occasions—once in 1997, 1999, and 2007—the Council has approved the appropriation of funds to the Economic Development Fund to address the impact of drought on the agricultural community.

²⁰According to DED, the County does not have enough fruit and vegetable producers to respond to and support consumer demand for locally grown products at all of the farmers markets.

²¹ County Code § 57-4.

In FY07, the County approved \$1.5 million for drought assistance. The funding came from the County's General Fund (undesignated reserves) and was administered by the Division of Agricultural Services. The Division disbursed \$1.446 million in grants to 85 impacted farmers; the balance of \$54K remains in the Economic Development Fund.

DED staff is not aware of any other County with this type of program. The program's intent is to supplement state and federal drought relief programs and was designed to fill in gaps not covered by those programs. Montgomery's County's program is unique in that it provides direct financial assistance while the state and federal programs do not. Only some farmers qualify for Federal Disaster Assistance, which generally takes the form of low interest loans. The Maryland Agricultural and Resource-Based Industry Development Corporation created a fund to provide low-interest operating loans to eligible producers who had significant crop, livestock, feed, and/or dairy losses.

Agricultural Land Preservation Capital Program (\$2.0 million in the Capital Budget).²²

The Division of Agricultural Services administers a CIP project for the purchase of agricultural and conservation easements from landowners to "preserve agricultural land from development with the goal of retaining a significant farming sector throughout Montgomery County."²³ The CIP project also funds 2.6 workyears in the Division to administer the program and work with farmers applying to participate in land preservation programs.

The source of funding for this CIP project is the State Agricultural Transfer Tax. Montgomery County collects the State Agricultural Transfer Tax revenue and retains 75% for the purpose of conserving farmland. The County uses this money and the interest it generates to purchase easements and fund the administrative costs of the program. In the past, the County has also funded the program with grant funds received from the State's Rural Legacy Program.

In FY09, the County projected collections of the Agricultural Transfer Tax totaling \$1.7 million and \$208K in interest. According to DED staff, in light of the economy, the County has collected only \$33,583 through October 2008. The County does not have a Rural Legacy Program grant for FY09.

The Agricultural Land Preservation Easements CIP project is part of a broader County preservation effort established in County Code (Chapter 2B, Agricultural Land Preservation²⁴) for local participation in Maryland's agricultural and conservation programs. The Division of Agricultural Services implements and promotes several State and County programs that have been used to protect agricultural land. Through these programs, 70,093 acres of farmland in Montgomery County are protected by permanent easements that preclude future commercial, residential, or industrial development of the land, even if the land is sold to a different owner.²⁵ For more information on Agricultural Land Preservation programs, see Appendix C.

²² CIP Project No. 788911.

²³ Agricultural Land Preservation Narrative, County Executive's Recommended FY09 Capital Budget and FY09-14 CIP, p. 32-1 to 32-2.

²⁴ The County's Agricultural Land Preservation legislation was recently amended to align with State laws.

²⁵ As of June 20, 2008. Division of Agricultural Services website, accessed November 18, 2008.

6. Division of Workforce Services

The Division of Workforce Services describes its mission as “ensuring that Montgomery County has a well-prepared, educated, and trained workforce to meet the needs of business and allow the County to compete in a global economy.” Table 4-7 summarizes the approved FY09 budget for the Division of Workforce Services, including workyears and operating expenses for which funds are appropriated in DED’s budget and the Community Grants NDA.

Table 4-7: FY09 Budget - Division of Workforce Services
(\$ in 000s)

	Total	Funds appropriated in:	
		DED Operating Budget*	Community Grants NDA**
A. Workyears	6.0	6.0	
B. Personnel Expenses	\$525	\$525	
C. Operating Expenses	\$3,462	\$3,402	\$60
Montgomery Works Contract	2,600	2,600	
Latin American Youth Center Contract	422	422	
TransCen Contract	351	351	
Alliance for Workplace Excellence Contract**	60		60
Other	29	29	
Total Committed Funds (B+C)	\$3,987	\$3,927	\$60
Allocation in FY09 Budget	\$3,667	\$3,607	\$60

Source: Department of Economic Development and Approved FY09 Operating Budget

*This includes federal Workforce Investment grants of \$2.5 million, which funds portions of the three contracts.

**The contract with the Alliance for Workplace Excellence is a non-competitive award funded by the Community Grants Non-Departmental Account. Prior to FY09, the Alliance for Workplace Excellence was contained within the DED base budget.

In FY09, the Division’s allocation from DED’s operating budget is \$3.6 million. \$2.5 million (69%) of this represents state and federal grant funds, and \$1.1 million (31%) represents County funds. The Division also manages a \$60K non-competitive contract funded in the Community Grants NDA.

The calculation at the bottom of the table shows that the funds committed in contracts that the Division administers exceed the Division’s current allocation of funds. The Department will reallocate funds later in the fiscal year to cover these costs. Also, the contract costs listed in the table are maximum amounts not to be exceeded; actual costs depend on the level of service provided by the contractor.

Overview of Staff Activities and Costs. The Division has 6.0 workyears with associated personnel expenses of \$525K. Division staff are responsible for providing career services to adults and youth in the County and helping businesses recruit employees. Most of the Division's services are contracted out, so the Division staff are responsible for fiscal monitoring and accounting, program monitoring, and contract management of the service providers listed in Table 4-8 under operating expenses. Staff also identify and apply for potential grants and work on improvements and additions to programming.

The federal Workforce Investment Act of 1998 (Public Law 105-220) establishes a source of funding for the Division of Workforce Services' activities and mandates many of the services that the Division provides. The law also requires a local Workforce Investment Board, which advises the Division, DED, and the County Executive on workforce matters (see Appendix D for more detail on the Workforce Investment Act). The rest of this section describes the four contracts that receive most of the Division's \$3.5 million in operating expenses.

2006 NACO Award Winner

DED's **Workforce Investment Services Program** received a NACO Achievement Award in 2006 that recognized the integration of the Division of Workforce Investment Services and the Workforce Investment Board with DED. The award praised the alignment of workforce programs and one-stop employment centers and economic development as a "bold, logical and practical move that would enhance the efforts of both organizations and reported it saved \$250K and improved the quality of both workforce and economic development services.

Montgomery Works Contract (\$2.6 million). The largest contract that the Division administers is a \$2.6 million contract that the County holds with the Career Transition Center, Inc. (CTC) to manage the County's three one-stop career centers under the name Montgomery Works. Montgomery Works provides services for adults and businesses. The one-stop career centers are located in Wheaton, Gaithersburg, and in the Montgomery County Correctional Facility. CTC partners with the Maryland Department of Labor, Licensing, and Registration and other non-profit and local agency partners to manage the one-stop centers.

The one-stop centers offer a variety of services targeted to dislocated workers, low-income adults, older workers, and disadvantaged workers. Core services available to anyone include work readiness assessments, job readiness classes, career counseling, and access to computer-based job banks. Intensive services include comprehensive assessments, career planning, individual employment plans, case management, and occupational skills training. According to DED staff, because of limited funding for intensive services (especially training), economically disadvantaged individuals are given priority access.

In Wheaton, there is also a Sales and Service Learning Center, which connects retail, service, and other businesses to qualified sales and service professionals. The Center offers customer service and sales training, career guidance, information on job openings, and a customer service ESOL program.

Montgomery Works also provides services to businesses. Business services staff work with businesses to identify their workforce needs. In particular, Montgomery Works helps companies find qualified candidates to fill positions by holding recruitment and job fairs, and helping businesses post jobs on the Maryland Workforce Exchange (a statewide database).

Latin American Youth Center Contract (\$422K). In FY09, the County holds a contract with the Latin American Youth Center, Inc. for \$422K to manage the County's youth work programs. The service provider is known as the Maryland Multicultural Youth Center (MMYC), which is a member of the Latin American Youth Center's family of organizations. MMYC's Montgomery County location is in Silver Spring. The contract is funded by a combination of federal, state, and county funds.

The youth services are for low-income individuals who are 16 to 21 years of age and either in or out of school. MMYC provides services such as job readiness training, computer training, GED preparation classes, job placement, summer internship placement, and one-on-one career counseling. MMYC has conducted job readiness workshops in several local high schools and works closely with area businesses to place students in internships.

TransCen Contract (\$351K). In FY09, the Division administers a contract that the County holds with TransCen Inc. for \$351K, which comes from a combination of federal and county funds. TransCen is a non-profit organization that operates a program to improve employment and educational outcomes for youth with disabilities. The population served by the program does not meet federal criteria for assistance but their disability is significant enough to affect competition for traditional jobs. TransCen offers services such as job readiness workshops, referrals, and job coaching in public schools.

Alliance for Workplace Excellence Contract (\$60K in the NDA). The Alliance for Workplace Excellence is the recipient of an FY09 Community Grant from the County, with a contract for \$60K that is administered by the Division of Workforce Services.²⁶ The Alliance for Workplace Excellence is a non-profit organization that works with companies in the greater Washington, D.C. region to help them "become great places to work."²⁷

The purpose of the County's contract with the Alliance is to "educate Montgomery County employers about the importance of creating work-life corporate cultures (whereby employees' home and work roles can co-exist harmoniously)."²⁸ To accomplish this, the Alliance must provide information on work-life programs to local employers, maintain a website with links to work-life best practices and educational resources, and recognize certain employers with "Workplace Excellence" seal awards.

²⁶ In previous years, this contract was funded in DED's operating budget, but in FY09 it was added to the Community Grants Non-Departmental Account.

²⁷ Alliance for Workplace Excellence website: <http://www.excellentworkplace.org/>; accessed on Nov. 14, 2008.

²⁸ Contract #8781000123-AA, Amendment I, page 1.

B. Economic Development Fund and County Tax Credits for Economic Development

This section provides additional information about two mechanisms used to assist and retain existing businesses and attract new businesses to the County: the Economic Development Fund and County Tax Credits.

1. Economic Development Fund

Legislative Framework. In 1995, the County Council passed a law establishing the Economic Development Fund. According to County Code Chapter 20 Article XIII, “The purpose of the fund is to aid the economic development of the County by assisting private employers who are located or plan to locate or substantially expand operations in the County.”²⁹

By law, the Economic Development Fund is “continuing and non-lapsing” and consists of funds appropriated by the County Council, loan repayments, interest earned on the fund, and funds received from any other public or private entity, such as the State of Maryland.³⁰ The Fund is administered by the Department of Finance, while the Department of Economic Development’s Division of Finance, Administration, and Special Projects manages the Fund’s programs.³¹

The assistance to private employers may be in the form of loans or grants, transfers of real or personal property, provision of services, or technical assistance.³² Executive Regulations for the EDF describe eligible companies as: “any private employer (including nonprofits) which is located in the County that plans to substantially expand or retain operations in the County, or an employer that plans to locate in the County.” The Regulations further state that “special consideration may be given to high technology and manufacturing companies, businesses in urban revitalization areas, or other private employers which maximize the spin-off effects for public investment.”³³ The Regulations stipulate that the “highest consideration should be given to assistance that creates significant employment growth.”³⁴

Procurement laws (Chapter 11B of the County Code) do not apply to the selection of a grant or loan recipient.³⁵ DED manages the application process and makes a decision as to whether a company should receive assistance. DED staff then informs the Department of Finance of their decision and requests the funding. The Department of Finance provides final approval and disburses the funds to the business.

²⁹ County Code § 20-74 (a)

³⁰ County Code § 20-73

³¹ County regulations name the Department of Finance as the administrator of the Economic Development Fund [COMCOR 20.73.01.05(a)] while naming the Department of Economic Development the administrator of the Technology Growth Program [COMCOR 20.73.02.05(b)(1)]. The Executive has not issued regulations for other programs.

³² County Code § 20-74 (b)

³³ COMCOR 20.73.01.03

³⁴ COMCOR 20.73.01.04

³⁵ COMCOR 20.73.01.06

By law, the Executive must notify the Council before offering assistance from the EDF valued at more than \$100K to a private employer.³⁶ In addition, the Executive Regulations require the Executive to report annually to the County Council (by March 15 of each year) on the use of the EDF, including an assessment of the costs and benefits to the County. The report is also required to include information on the County's use of tax credits, rebates, or other incentives to further economic development.³⁷

According to DED staff, EDF assistance mostly takes the form of loans that can be converted to grants if certain conditions are met, such as the creation of a certain number of jobs within a set period of time. Similarly, grants become a loan that the company must repay if certain conditions are not met. DED reports that it often tries to use EDF awards to leverage County funds to induce state and private investment.

2007 IEDC Award Winner

DED's **Economic Development Fund** received an IEDC Best Practice Award – Honorable Mention in 2007. The IEDC observed that “with four sub-programs, [the EDF] has proven itself as a flexible, results-oriented economic development tool to assist a wide range of businesses sizes and industry types.” It also reports EDF recipients invested \$775 million in 20 new buildings with over 3 million square feet of office and lab space.

EDF Programs. There are currently five active programs within the Economic Development Fund. The Grant and Loan Program and the Technology Growth Program have Executive Regulations associated with them; the other three active programs do not.

- The **Grant and Loan Program**, which was established in FY96 at the time of the EDF's creation;
- The **Technology Growth Program**, which the Executive recommended and the Council approved in FY99;
- The **Emergency Agricultural Assistance Program**, which the Executive recommended and the Council approved in FY99. The program is used only as needed;
- The **Small Business Revolving Loan Program**, added by DED in FY00;
- The **Impact Assistance Program**, added by DED in FY05, and
- The **Micro-Enterprise Program**, added by DED in FY08.

DED also established the Demolition Loan Program in FY00; although this program is not active at the present time.

³⁶ County Code § 20-75(b)

³⁷ COMCOR 20.73.01.05(h)

Table 4-8 summarizes financial assistance and award data for the five active programs over the course of their existence. Brief descriptions of each program follow. (See page 32 for a description of the Emergency Agricultural Assistance Program.)

Table 4-8: Summary of Economic Development Fund Program Information

EDF Program	Years Active	Total Assistance Provided	Total Businesses Assisted	Average Award Amount	Range of Award Amount	
					Low	High
Grant and Loan Program	13 years	\$22.8 million	143	\$159,440	\$3,000	\$6 million
Technology Growth Program	9 years	\$3.3 million	56	\$58,214	\$25,000	\$100,000
Small Business Revolving Loan Program	8 years	\$1.5 million	23	\$63,826	\$5,000	\$130,000
Impact Assistance Program	3 years	\$282,000	19	\$14,842	\$2,800	\$63,100
Micro-Enterprise Program	1 year	\$15,000	1	--	--	--

Source: *Montgomery County Economic Development Fund Annual Report*; Department of Economic Development; March 15, 2008. All data as of February 2008.

Appendix E has a complete list of EDF transactions by program since the Fund was established 13 years ago, including the recipient and the amount of each transaction.

a. The Grant and Loan Program

This subprogram has been in place for 13 years and was initially the only program in the EDF when it was created in FY96. It has provided more funding assistance – both in terms of the number of companies assisted and the total monetary value of assistance provided – than any other EDF subprogram. The eligibility criteria and goals for the grant and loan program are those established in the law creating the EDF as described on page 37. The table below lists the criteria that the Director of DED may consider when determining awards.

Table 4-9: Funding Criteria for Grant and Loan Program

Source: Code of Montgomery County Regulations 20.73.01.04
<ul style="list-style-type: none"> • Priority will be given to assistance that will materially improve the County's economy and advance the County's economic development objectives and strategies. • Highest consideration will be given to assistance that brings significant employment growth either by creating new jobs, expanding an existing operation, or by retaining jobs at an existing operation. • Priority will be given to assistance that causes significant investment by the private employer that over time will provide significant revenues to the County. • Priority will be given to private employers that are knowledge based or have high value added products in expanding markets. • In urban revitalization areas, private employers locating in areas with good public transportation or educational services will be given priority consideration. • Priority will be given to private employers that either help reverse commercial deterioration or prevent it from happening. • Special consideration will be given to private employers who are renovating existing structures that will generate directly, or through spin-offs, new revenues for the County. • Special consideration will be given to private employers where the retention or attraction of jobs would not be likely to happen without assistance from the Fund. • Special consideration will be given to private employers where the County assistance will enhance the comprehensiveness and competitiveness of the overall financial package and complement state financial incentives. • Special consideration will be given to private employers where municipal incorporated areas, when appropriate, provide financial incentives to complement the County's assistance from the Fund. • Special consideration will be given to private employers whose activities, products, research or services enhance the County's quality of life, or if appropriate, have demonstrated a record of good corporate citizenship.

b. The Technology Growth Program

The Technology Growth Program was created in FY99 and has been active for nine years. The program provides assistance to early-stage high technology companies that are located in, or want to be located in, the County. Assistance is provided in the form of a grant, loan, or loan guarantee. Executive Regulations for the Technology Growth Program required that the Department of Finance create a separate account in the Economic Development Fund to track all its activities.³⁸

To be eligible for Technology Growth Program assistance, a company must be a private employer located in the County or planning to locate in the County. Additionally, the company's principal product must be innovative enough to provide a competitive advantage in the marketplace. The company must also be able to show strong potential for repayment of the loan and submit a comprehensive business plan.³⁹

³⁸ COMCOR 20.73.02.05(a)(1)

³⁹ COMCOR 20.73.02.03

The table below lists criteria for priority consideration for Technology Growth Program assistance as stated in the regulations.

Table 4-10: Funding Criteria for Technology Growth Program

Source: Code of Montgomery County Regulations 20.73.02.04
<ul style="list-style-type: none"> • Priority will be given to assistance that will materially improve the County's economy and advance the County's economic development objectives and strategies. • Priority will be given to cases where the County's assistance will function as a catalyst in private employer's subsequent capitalization. • Priority will be given to cases where the private employer's expected business will create significant employment growth by creating new jobs within 3-5 years of funding. • Priority will be given to private employers whose business involves retrofitting biotech lab spaces that will directly benefit new and/or existing biotech business. • Priority may be given to a technology business that locates in the Maryland Technology Development Center, or receives financial assistance from the Maryland Challenge Investment Program or the Maryland Equity Investment Program.

c. The Small Business Revolving Loan Program.

The Small Business Revolving Loan Program was created in FY00 with a grant from the Maryland Industrial Land Act to target assistance for small businesses that lack access to traditional private and public funding sources.

The program targets businesses with less than \$5.0 million in gross revenues annually and fewer than 75 employees. Businesses must also meet one of two primary tests: funds must be used to (1) assist the start-up or expansion of the business or (2) help retain and stabilize the business.

Priority consideration for awards under this program is given to proposals where:⁴⁰

- The County's assistance will materially improve the County's economy and advance the County's economic development objectives and strategies.
- The County's assistance will help the company receive capital from other sources.
- The company's business will create new jobs within three to five years of funding.
- Bank and other private financing are not available at the time of the program application.

d. The Impact Assistance Program

The Impact Assistance Program was created in FY05 to assist businesses that are adversely affected by County-initiated development, redevelopment, or renovation projects. The level and form of assistance provided under this program depend on the intended use of funds, the extent of the adverse impact on the business, and the financial health of the business.

⁴⁰ Department of Economic Development; *Small Business Revolving Loan Program Summary*, p. 1.

In general, only businesses that are currently impacted by County projects that are in progress are eligible for assistance. To receive assistance, the recipient must agree to remain in the County for a period of three years following disbursement of the funds.

Unlike other EDF programs whose goal is to create jobs and economic development, this program is used to compensate businesses affected by development. As a result, the program does not include priority consideration criteria.

e. The Micro-Enterprise Program

Created in FY08, this program supports micro-enterprises by facilitating the creation, retention, or expansion of small companies that lack access to capital. The goal of the program is to “enhance business development and job creation opportunities for those traditionally excluded from the economic mainstream.”⁴¹

The maximum loan amount is \$15K for any one company and the loans have a maximum repayment term of three years. The loan should be used for business development. To be eligible, a company must have gross revenues of less than \$250K annually and fewer than five full-time equivalent employees.

The business must complete a formal application and provide personal and/or bank statements, a business plan, and an application fee of \$25. To receive a loan, applicants must agree to receive business counseling, mentoring, and training from the Maryland Small Business Development Center Network and develop a Technical Assistance Plan.

When analyzing a potential loan under the micro-enterprise program, DED considers factors such as the borrower’s debt payment history, outstanding financial obligations, and business skills and experience. Priority consideration for awards is given to enterprises owned by women or minorities and to enterprises that do not receive priority consideration from traditional private lenders or public programs because of a lack of established credit history. While trying to achieve the fund’s public mission, “DED desires to attain the goal of generating sufficient income through the Program’s lending activities for the Program to be self-sustaining.”⁴²

Fund Finances. Table 4-11 shows the Economic Development Fund’s estimated FY09 budget. Entering FY09, the Fund had \$1.2 million. Estimated fund revenue in FY09 includes \$556K from the General Fund, \$212K in repayments from previous loan recipients, and \$85K in investment income. Adding up the beginning balance for FY09 and estimated revenue yields total FY09 resources of \$2.05 million. Exhibit 4-1 shows the percent of each of these sources that make up the fund’s resources in FY09. The largest source of funds in FY09 is the previous year’s balance (59%), followed by General Fund revenue (27%).

⁴¹ Department of Economic Development, *Montgomery County Micro-Enterprise Program Micro-Lending Policy Manual*, p. 3.

⁴² Ibid

DED estimates that it will spend \$1.95 million from the EDF in FY09. Of this amount, \$122K is for personnel costs (salary and benefits) of a DED staff member who performs the Fund's administrative functions, such as monitoring the expenditures and loan repayment, preparing the annual report, and doing transaction underwriting and bad debt collection.

The balance of the funds in FY09 will be spent from the five active programs, with the largest expenditure in the Economic Development Grant/Loan Program (\$622K) followed closely by the Small Business Revolving Loan Program (\$608K). The smallest expenditure will be in the Impact Assistance Program (\$95K).

Table 4-11: Economic Development Fund FY09 Budget by Program
(\$ in 000s)

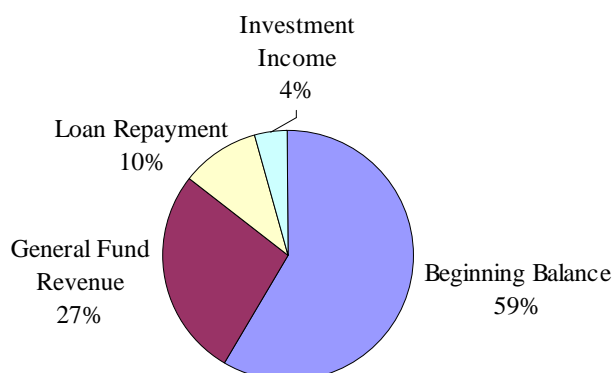
FY09 Budget Category	Program					DED Staff (1 WY)	Total
	Grant and Loan	Technology Growth	Small Business Revolving Loan	Impact Assistance	Micro-Enterprise Loan		
Beginning Fund Balance*	\$478	\$0	\$572	\$45	\$105	\$0	\$1,200
Revenues	\$533	\$12	\$136	\$50	\$0	\$122	\$853
From General Fund	384	0	0	50	0	122	556
Loan Repayment	64	12	136	0	0	0	212
Investment Income	85	—	—	—	—	—	85
State Grant**	0	0	0	0	0	0	0
Total FY09 Resources	\$1,011	\$12	\$708	\$95	\$105	\$122	\$2,053
Appropriation/Expenditure	\$622	\$400	\$608	\$95	\$105	\$122	\$1,952
Projected Fund Balance	\$389	-\$388	\$100	\$0	\$0	\$0	\$101

Source: Department of Economic Development

*The beginning balance of \$1.2 million was greater than the estimate in the Approved FY09 Operating budget.

**While there is no revenue from state grants in FY09, this has been a source of funding in previous years.

Exhibit 4-1: Sources of Total FY09 Resources, N=\$2.053 million



2. County's "Economic Development" Tax Credits

The County has four "economic development" tax credits. Department of Economic Development staff report that they use these tax credits as incentives for qualifying businesses to locate or expand in Montgomery County.

The table below shows the total tax credit amounts that businesses received in FY09 for the New Jobs Tax Credit, the Enhanced New Jobs Tax Credit, the Enterprise Zone Tax Credit, and the Arts and Entertainment District Tax Credit. Each of the tax credit programs is briefly described below the table; Appendix F lists the FY09 tax credit recipients and amounts of credits received.

County's Economic Development Tax Credits
FY09 Tax Credit Amounts
(\$ in 000s)

Tax Credit	FY09
New Jobs Tax Credit	326
Enhanced New Jobs Tax Credit	1,114
Enterprise Zone Tax Credit	1,954
Arts & Entertainment District Tax Credit	4
Total	\$3,398

Source: DED and Department of Finance, updated January 2009

New Jobs Tax Credit and Enhanced New Jobs Tax Credit: Maryland State law authorizes the County Council to establish by County law two types of tax credits – a basic tax credit and an "enhanced" tax credit – for businesses that obtain newly constructed business space in the County and that create a minimum number of new jobs.⁴³

State law defines the type of tax credit (to County corporation property taxes on real and personal property owned by a business), the number of years a qualifying business can claim the tax credit (6 or 12 years), and the amount of the tax credit in each of the years.⁴⁴ State law also limits both tax credits to businesses with newly constructed business space in State-defined "priority funding areas" and limits the enhanced tax credit to businesses in certain industries.⁴⁵

In 1998, the County Council enacted legislation to implement these tax credits – establishing a New Jobs Tax Credit and an Enhanced New Jobs Tax Credit in County law.⁴⁶ Both State and County law specify that businesses that meet the legal requirements for the tax credits are entitled to receive them.⁴⁷ State law also includes a corresponding tax credit to State individual or corporate income tax, insurance premiums tax, or financial institution tax for businesses that qualify for one of the County tax credits.⁴⁸

⁴³ MD Code Ann., Tax – Property § 9-230(b), (c)

⁴⁴ MD Code Ann., Tax – Property § 9-230(b)(1), (c)(2), (d)(4)(i), (d)(4)(ii)

⁴⁵ MD Code Ann., Tax – Property § 9-230(b)(4); (d)(2)

⁴⁶ Montgomery County Code §§ 52-69 to 52-74

⁴⁷ MD Code Ann., Tax – Property § 9-230(n); Montgomery County Code § 52-69

⁴⁸ MD Code Ann., Tax – Property § 9-230(b)(2)

By resolution, the Council may designate types of businesses, types of positions, or geographic areas that are ineligible for these tax credits.⁴⁹ (DED staff report that the Council has never designated businesses that are ineligible for the tax credits.) The County must file an annual report with the State Department of Assessments and Taxation, the State Department of Business and Economic Development, and the Comptroller listing the amount of each tax credit granted in a year and indicating whether a business complied with the requirements for the tax credit.⁵⁰

Enterprise Zone Tax Credit. According to the Maryland Department of Business and Economic Development, Enterprise Zone Tax Credits are used to attract new businesses and to retain existing businesses that choose to expand within the Enterprise Zone.⁵¹ (Maryland's Enterprise Zone Tax Credit program is written up as a Case Study in Chapter VI, page 74).

Under State law, an area can be designated as an Enterprise Zone if the area is in a State-defined "priority funding area" and also meets one of four other criteria relating to the rate of unemployment, the level of poverty, the level of income, or the condition of property in the area.⁵² Once the State designates an Enterprise Zone, State law requires a County Government to grant a tax credit for ten years against the property tax assessment on qualifying property in the zone.⁵³

To designate an area as an Enterprise Zone, a County's chief elected officer – the County Executive in Montgomery County – must submit an application to the Maryland Secretary of Business and Economic Development that includes a set of standards established by the County that businesses located in an Enterprise Zone must meet in order to receive benefits associated with locating in an Enterprise Zone.⁵⁴

Based on County applications, the State of Maryland has designated three Enterprise Zones in Montgomery County located in Long Branch/Takoma Park, Silver Spring, and Wheaton. The Silver Spring Enterprise Zone expired in December 2006, and Wheaton expired in December 2008. The Long Branch/Takoma Park Enterprise Zone will expire in 2013.

⁴⁹ Montgomery County Code § 52-71(c)(4)

⁵⁰ MD Code Ann., Tax – Property § 9-230(m)

⁵¹ Maryland Department of Business and Economic Development; *Enterprise Zones Annual Status Report, Calendar Year 2006*; December 2007.

⁵² MD Code Ann., Economic Development § 5-704(a)(1), (2). Property eligible for a tax credit based on its location in an enterprise zone is non-residential property used in trade or business by a State law-defined qualified business, and located in an area designated by the State or Federal government as an enterprise zone or designated by the Federal government as an empowerment zone or enterprise community. See MD Code Ann., Tax – Property § 9-103(1)(6); MD Code Ann., Economic Development §§ 5-701(d); 5-707(a)(b).

⁵³ MD Code Ann., Tax – Property § 9-103(b), (d). State law also authorizes a one-year or three-year State income tax credit for wages paid to new employees in new positions in an enterprise zone. See MD Code Ann., Tax – General § 10-702

⁵⁴ MD Code Ann., Economic Development § 5-703(a)

Arts and Entertainment District Tax Credit. Maryland State law authorizes the County Council to establish by County law a tax credit against County property tax for the construction or renovation of property located in areas designated by the State as Arts and Entertainment Districts and that can be used by artists or an arts and entertainment enterprise.⁵⁵ The State of Maryland has designated three Arts and Entertainment Districts in Montgomery County: Bethesda, Silver Spring, and Wheaton.⁵⁶

The County law implementing the State law limits the tax credit to *renovated* property.⁵⁷ State law allows an Arts and Entertainment District Tax Credit to be granted for up to ten years, but does not establish the amount of the tax credit, which is established in County law.⁵⁸

C. Capital Budget Projects Managed by the Department of Economic Development

The Department manages five projects in the current (FY09-14) CIP and explores potential projects for the future. Table 4-13 lists the current projects and associated spending levels.

Table 4-13: CIP Projects Administered by the Department of Economic Development (\$ in 000s)

	Thru FY07	Estimated FY08	Scheduled FY09	Total FY10-14	Projected Total
County-Funded CIP Projects					
Life Sciences and Technology Centers	\$1,853	\$372	\$125	\$0	\$2,350
Agricultural Land Preservation Easement*	\$0	\$18,195	\$ 2,003	\$6,143	\$26,341
Adventist Healthcare (part of Cost Sharing PDF)	\$0	\$0	\$0	\$1,400	\$1,400
County and State-Funded CIP Projects					
Germantown Business Incubator	\$0	\$5,200	\$0	\$0	\$5,200
County Funds	0	2,450	0	0	2,450
State Funds	0	2,750	0	0	2,750
Music Venue in Silver Spring (part of Cost Sharing PDF)**	\$0	\$300	\$3,550	\$4,000	\$7,850
County Funds	0	300	3,550	0	3,850
State Funds	0	0	0	4,000	4,000

Source: FY09-14 CIP and DED staff

*The source of funding for this CIP project is the State Agricultural Transfer Tax. The County collects the tax and revenue and retains 75% to use for the conservation of farmland.

**The County also invested \$150K from the Economic Development Fund for a feasibility study.

⁵⁵ MD Code Ann., Tax – Property § 9-240

⁵⁶ Maryland State Arts Council. “Maryland Arts and Entertainment Districts Program.”

⁵⁷ Montgomery County Code § 52-18L(b)

⁵⁸ MD Code Ann., Tax – Property § 9-240(c); Montgomery County Code § 52-18L(d). County law establishes a lower amount for the arts and entertainment district tax credit for properties also receiving an Enterprise Zone Tax Credit. Montgomery County Code § 52-18L(d)(2)

1. Current CIP Projects

Life Sciences and Technology Centers. This CIP project first entered the CIP in FY90. It was created initially to fund the Shady Grove Life Sciences Center; it was later expanded to fund revised development and subdivision plans to increase site density (FY00), sub-division plans for prospective Life Sciences and Technology Centers (FY03), planning for the East County and Germantown Business incubators (FY04), and planning for the Rockville incubator (FY07).

Construction of the Germantown incubator became a stand-alone CIP project and is described in more detail below. The Rockville Incubator was completed in June 2007 and is located in the new Rockville Town Center. The East County Incubator and a Germantown Life Sciences Center are still in the planning and design stage.

In FY09, \$125K is programmed in the Life Sciences and Technology Center CIP project for planning for the East County Center for Science and Technology (ECCST), also known as the “Site II Development.” The County secured a \$1.0 million Maryland Technology Development Corporation (TEDCO) grant for the ECCST incubator, which will require a 100% County match that has not yet been programmed. The County also secured \$2.0 million in Federal Highway Funds for this project which will require a 20% County match.⁵⁹

The Germantown Life Sciences Center is still in the preliminary design and planning stage. In 2003, the Maryland Department of Business and Economic Development granted \$2.1 million to support the creation of a technology park at Montgomery College’s Germantown Campus. The County and the College used the funds to purchase a 20-acre parcel known as the Kay Tract, where the County and the College are working together to develop the Life Sciences Center on the Germantown Campus of the College.

Under the terms of the State grant, the County was obligated to create the Germantown business incubator (described below) by 2006 (later negotiated to 2009). If the County did not create the business incubator by that date, the County would have to pay back the \$2.1 million grant.

Germantown Business Incubator. Germantown Incubator opened in October 2008. The incubator first appeared as a stand alone CIP project to renovate half of a 67,000 square foot building on Goldenrod Lane in the amended FY07-12 CIP. (The other half of the renovation was funded in a Montgomery College CIP project.)⁶⁰ The first project description form listed \$1.6 million in County funds (current revenue) and \$1.4 million in State aid to fund the project.

In October 2007, the Germantown incubator project was publicly bid, resulting in a \$5.2 million winning construction bid, which was higher than the \$3 million initially planned in the amended FY07-12 CIP. In January 2007, the Executive recommended an amendment to the FY07-12 CIP with an additional \$1.35 million in State aid and \$850K in County funds to complete the project.

⁵⁹ Life Sciences and Technology Centers – Project No. 789057, FY09-14 Capital Improvements Program

⁶⁰ Goldenrod Building Renovation – No. 076624, Amendments to FY07-12 CIP.

Council records indicate that the Planning, Housing, and Economic Development Committee “reluctantly” recommended that the Council approve the additional funds for this project.⁶¹

Table 4-13 (page 46) shows the total amount of County and State funds appropriated to the Germantown Business Incubator project.

Music Venue in Silver Spring. In January 2008, Live Nation signed a lease with the County Government to redevelop the J.C. Penney site in downtown Silver Spring to a Live Nation Fillmore brand music venue. According to the deal, the Lee Development Group will donate the land for the live music venue to the County. The project’s \$8 million in capital improvement costs include contributions from the County, State, and Live Nation.

- **Montgomery County** – The County is providing \$4.0 million for the music venue. The Council appropriated \$3.85 million in CIP funding through “long-term financing.”⁶² In FY08, \$300,000 was scheduled for expenditure; in FY09, the County plans to spend an additional \$3.55 million.⁶³ In addition to CIP funding, the County allocated \$150,000 from the Economic Development Fund for a feasibility study for the project.
- **State of Maryland** – The State is also providing \$4.0 million for the music venue. The bond bills issued to provide this funding require that the County provide matching funds of \$4.0 million (described above).
- **Live Nation** – The tenant, Live Nation, will contribute \$2.0 million.

The State and County funds will be used to construct, renovate, and equip the music hall. According to the deal, cost overruns (if they occur) will be paid by the County in the form of credits awarded to Live Nation against rent payments to the County.⁶⁴ The music venue is scheduled to open in 2010.

The County will own the facility and will lease the venue to Live Nation, which will be responsible for utilities, upkeep, and maintenance costs.⁶⁵ According to the lease terms, Live Nation will pay the County approximately \$100,000 annually, which will escalate over the term of the lease. The term of the lease is 20 years, with two renewal options for five years each. The packet from the Council capital budget worksession on the music venue in March 2008 is attached as Appendix G; it includes a financial summary of the project prepared in January 2008.

⁶¹ Memorandum from Justina Ferber (Legislative Analyst) to the County Council; March 27, 2008.

⁶² Long-term financing is different than general obligation bonds. General obligation bonds are backed by the full faith, credit, and taxing powers of the County, while long-term financing is backed by the Council’s pledge to appropriate money each year in the operating budget. The County will repay the debt for the music venue over 20 years.

⁶³ \$1.85 million was programmed in the FY08 Capital Budget and \$2.0 million was added in the FY09 Capital Budget.

⁶⁴ According to Executive responses to Council Staff questions included in a March 4, 2008 worksession packet, the Executive does not expect construction cost overruns. However, if there are cost overruns, “the tenant will be responsible for excess construction costs and is entitled to a credit against fixed rent for those costs.” Memorandum from Justina Ferber (Council Staff) to the County Council; February 29, 2008.

⁶⁵ News Release. “Montgomery County & Live Nation Sign Lease to Bring Live Music, Entertainment & Community Use Venue to Downtown Silver Spring.” Office of the Montgomery County Executive. January 18, 2008.

In addition to funding, the Council also enacted a package of land use changes for locations designated by the State as arts or entertainment districts. In June 2008, the Council introduced Zoning Text Amendment (ZTA) 08-15, Arts or Entertainment Use – CBD Zones, and Subdivision Regulation Amendment (SRA) 08-03, Arts or Entertainment Use – Validity Period, at the request of the County Executive. In October 2008, the Council passed ZTA 08-15 by a vote of 7-2 and passed SRA 08-03 unanimously.

Zoning Text Amendment 08-15 excludes public use space and public amenity requirements for new developments designated in an arts or entertainment district. The ZTA reduces the formula for required public use space for the project from 20 percent, and allows the arts/entertainment space (Live Nation building) to substitute as the required public use space. The ZTA also removes Planning Board oversight regarding public use space and public amenities for certain projects providing arts and entertainment space in arts and entertainment districts.

Subdivision Regulation Amendment 08-03, approved as a package to ZTA 08-15, extends the development rights for a project on land or building space donated to the County designated for arts or entertainment use. The SRA extends the preliminary plan approval, project plan approval, and adequate public facilities validity period from the typical 10 years to 18 years for a project with acceptable arts or entertainment space. In effect, the remainder of the property will be held to the same development standards as the music venue, as long as it is developed within 18 years of the date the Lee Development Group donated the land to the County.

Agricultural Land Preservation Easement. This project provides funding for the purchase of agricultural and conservation easements from landowners to “preserve agricultural land from development with the goal of retaining a significant farming sector throughout Montgomery County.”⁶⁶ This project is funded through the State Agricultural Transfer Tax. (For more details, see page 33.)

Adventist Healthcare. This project provides \$1.4 million to be disbursed in FY10 to Adventist Healthcare to assist with the construction of a medical office building project at 8702 Flower Avenue in the Long Branch neighborhood. The Planning Board approved the site plan for the project in March 2007. The current CIP notes that this project has been delayed due to litigation.

1. Potential CIP Projects Currently Under Study

Multi-Use Sports Arena. The Department is exploring the feasibility of building a multi-use sports arena in Montgomery County. The proposed arena would accommodate 8,000 to 10,000 seats (including fixed and floor seats) and be used for graduations, sporting events, and other entertainment events.

⁶⁶ Agricultural Land Preservation Narrative, County Executive’s Recommended FY09 Capital Budget and FY09-14 CIP, p. 32-1 to 32-2.

DED is administering a County contract with the Maryland Stadium Authority to produce an economic feasibility study of building a multi-use sports arena in Montgomery County. Funding for the study came from a \$50K grant from the Maryland Department of Business and Economic Development and \$88,865 from DED's FY07 operating budget.

The economic feasibility study, released in June 2007, concluded that "the market will readily support a Montgomery County arena."⁶⁷ Currently, arenas exist in the District of Columbia, Prince George's County, and Northern Virginia, which are at least 25 miles from many parts of Montgomery County.

The study concluded that the arena would not compete with existing buildings in Montgomery County, particularly the Strathmore Arts Hall and the Conference Center, unless the proposed arena includes significant meeting and exhibition space (which the study authors do not recommend). According to the study, when considering the cost of the facility, the focus should be on having flexibility of use rather than increasing the size of the facility. The study also estimated that the economic benefits of an arena would be the inducement of 764 jobs, \$6.6 million in wage income, and \$19 million in County business sales.

In September 2007, the County issued an RFP to identify a private sector team for the project. D&A Sports was chosen and awarded the exclusive right to negotiate with the County "based on their commitment to minimize the public sector's risk and their vision for a true community asset."⁶⁸ D&A Sports was created for the sole purpose of creating this arena. The president of the company is the CEO of the World Premier Sports Group and owner of the Maryland Nighthawks, a professional men's basketball team. The arena would be managed by SMG, which is based in Philadelphia and provides management services for venues in the U.S. and several other countries.

The Maryland Stadium Authority commissioned HOK Sport to complete the second phase of the arena's feasibility study, a market feasibility study that will include a programming/tenant analysis, site requirements, and conceptual design, which will be used to develop a cost estimate. In April 2008, the Executive submitted a CIP budget adjustment to fund \$125K in the Facility Planning project in the FY09-14 CIP to fund the second part of the feasibility study. The Council's Planning, Housing, and Economic Development Committee recommended against the additional \$125K and the funding did not enter the approved CIP. The Department of Economic Development has moved forward with the study using other funds from the Department's operating budget.

Additional Life Sciences Projects. There are two early-stage projects that DED is currently pursuing: the Shady Grove Life Sciences Center expansion and a global science center in the Gaithersburg West planning area. These projects may be included in the Life Sciences and Technology Centers CIP project or may become stand-alone CIP projects in the future.

⁶⁷ "The Economic Feasibility of a Montgomery County, MD Arena: Preliminary Study;" by Caber, Towson University, and Sage Policy Group, Inc; on behalf of the Maryland Stadium Authority; June 2007; p. 4.

⁶⁸ Memorandum from Pradeep Ganguly (Director, Department of Economic Development) to Michael J. Knapp (President, County Council); April 1, 2008.

CHAPTER V. MONTGOMERY COUNTY'S ECONOMIC DEVELOPMENT STRATEGIC PLANS AND PERFORMANCE MEASURES

This chapter summarizes the County's previous and recently updated strategic plans for economic development and reviews performance measures for DED.

Section A, 2004 Strategic Plan, describes the 2004 Strategic Plan for Economic Development, which was adopted by the County Council in June 2004.

Section B, 2008 Vision for Economic Development, describes the document recently completed by the Executive Branch, titled *A Vision for Economic Development in Montgomery County*.

Section C, Performance Measures, describes the set performance measures developed for the Department of Economic Development by DED and CountyStat.

Chapter Highlights

In December 2008, the Executive transmitted to the Council *A Vision for Economic Development in Montgomery County*. The document states that the Executive's vision for Montgomery County is a "globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities."

The *Vision* includes four goals and lists specific action items for each goal. The *Vision* is notably different, both in approach and content, from the one taken in the previous economic development strategic plan, approved by the Council in 2004. As transmitted to the Council, it does not include any short- or longer-term fiscal information.

During 2008, DED and CountyStat staff developed a package of headline measures and sub-measures for tracking the performance of the Department. Data for the headline measures are compiled in DED's Performance Plan, most recently updated in December 2008. Both the *Vision* and the Performance Plan are attached in their entirety as appendices.

A. The 2004 Strategic Plan for Economic Development

1. Strategic Plan Review and Approval Process

In January 2003, the County Executive transmitted to the County Council a proposed strategic plan for economic development. The Executive formally requested that the Council "adopt this Plan as the official economic development strategy for our community."¹

¹ Letter from Douglas Duncan (County Executive) to Michael L. Subin (President, County Council); January 24, 2003.

The document was titled *Montgomery County: The IDEALocation, Strategic Plan for our Community's Quality of Life and Economic Development*. This Plan had been developed over a three-year period (1999-2002) by Department of Economic Development staff working with the Economic Advisory Council.²

The Council held several worksessions and a public hearing on the proposed Plan and suggested several revisions. The Council's Planning, Housing, and Economic Development Committee requested that DED make revisions, solicit comments from other agencies and the public, and meet with the Planning Board. The Council considered and approved a number of additional amendments to the Plan. On June 22, 2004, the Council voted (8-1) to adopt the Strategic Plan for Economic Development, as amended.

2. Plan Summary

The Executive Summary of the approved Strategic Plan stated that the economic development vision for Montgomery County is to: "Foster a growing, diversified, and innovative economy, providing opportunity and prosperity for businesses and residents alike, while sustaining the County's quality of life." The Plan set forth four guiding principles and seven strategic goals, which are summarized in the table below. Appendix H contains a longer excerpt from the 2004 Strategic Plan.

² The Economic Advisory Council was a "30-member advisory body appointed by the County Executive to provide advice on fiscal, economic, and legislative matters impacting employers in Montgomery County." As of this writing, the EAC has been dormant for a few years but is currently being re-convened and is expected to meet in early 2009.

**Table 5-1: Montgomery County's 2004 Strategic Plan for Economic Development
Guiding Principles and Strategic Goals**

Guiding Principles
<ol style="list-style-type: none"> 1. Our community's quality of life and public services are dependent on the ongoing prosperity of the economy – with economic success and a high quality of life mutually reinforcing. 2. Nurture a supportive business environment. 3. Focus strategically on knowledge-based industries. 4. Promote the development of critical long-term infrastructure through projects with immediate impact and through the commitment of required fiscal resources.
Strategic Goals
<ol style="list-style-type: none"> 1. Progressive business climate: Cultivate a business climate that supports economic growth, new job creation, and commercial development. 2. Transportation infrastructure: Stimulate the provision of transportation infrastructure with necessary long term financing to support an improved and more efficient transportation system – improving services to residents and helping County firms attract and retain the needed work force. 3. Global center for technology leadership: Provide leading-edge infrastructure and incentives to promote the expansion and global leadership in bio-sciences and health care; information technology and telecommunications; and related professional services. 4. Stimulate existing businesses and entrepreneurship: Foster the growth of existing businesses and enhance opportunities for small businesses, minority-, female- and disable-owned businesses and entrepreneurship; in addition, work to ensure that existing businesses are not adversely affected by revitalization. 5. Marketing and business promotion: Market the unprecedented business opportunities in the County and enhance County-sponsored business services in a concerted effort to attract new firms and expand the existing business base. 6. World-class work force: Promote the development and recruitment of a skilled work force, trained in today's technologies and management practices. 7. Quality of life: Support housing and community development and continued excellence in public services, and promote richness and vibrancy in the arts and culture, recreation and rural life, and the environment, as vehicles to enhance the County's quality of life.

Source: *Montgomery County: The IDEALocation, Strategic Plan for Our Community's Quality of Life and Economic Development*; adopted June 2004.

B. Vision for Economic Development in Montgomery County

This section describes the process of developing DED's new *Vision for Economic Development* and summarizes the document, which was transmitted from the County Executive to the County Council in December 2008.

1. Background Meetings with the County Council - Spring and Summer 2008

In April 2008, during an operating budget worksession on the Department of Economic Development's FY09 budget, the Council's Planning Housing and Economic Development (PHED) Committee expressed interest in knowing more about how DED's proposed projects fit into an overall economic development strategy for the County. As a follow-up to issues raised during the budget worksession, the PHED committee held a meeting on June 16, 2008 to discuss DED's current economic development strategy.

Pradeep Ganguly, Director of the Department of Economic Development, described the new strategic plan that the Department was developing. He explained that the new plan would focus on strategies that the department will implement, rather than laying out a broader strategy to be implemented by the entire County, as the 2004 Strategic Plan did. He stated that the new plan would be "derived from the County Executive's clear vision for Montgomery County" and that "the current strategy is intended to take us from ideas to the next level."

Committee members inquired as to whether, similar to the 2004 Strategic Plan, the revised economic development plan would include targets related to transportation infrastructure, employment growth, or housing growth. Mr. Ganguly said that he did not expect it to include specific numerical targets on issues that the Department does not have complete control over, such as transportation infrastructure investment or job growth.

2. Summary of A Vision for Economic Development in Montgomery County

According to DED staff, the revised economic development strategy was prepared by County staff in consultation with a small group of representatives from the County's business community: Pat Arnold from DataBus; Sol Graham from Quality Biological; Sheila Khatri from Moti International; Les Levine from Invisi Track, Inc.; and Bill Robertson from Adventist HealthCare.

The new strategy, titled *A Vision for Economic Development in Montgomery County*, was completed in December 2008, at which time it was transmitted to the Council. County Executive Leggett's transmittal letter did not include a specific request for Council action on the document. Appendix I contains a copy of the transmittal letter and the document in its entirety.

In contrast to the 2004 Strategic Plan, which articulated a broad vision with policy implications throughout County Government, the 2008 *Vision for Economic Development* focuses on the activities initiated and managed by the Department of Economic Development. The strategy also has a greater focus on the global economy, including how to help local businesses compete globally and how to attract international investment to the County. The major sections of the strategy are summarized below.

Vision. The County Executive’s vision for Montgomery County is a “globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities.”³

According to the *Vision for Economic Development*, both large global corporations and small local businesses contribute to County residents’ quality of life. The County’s high quality of life, in turn, creates a place where businesses want to locate, helping retain, attract, and create businesses. The strategy explains that all companies, including small businesses, must seek opportunities outside the County in order to remain competitive and the County Government’s role is to “create an enabling business environment”⁴ and ensure that companies have the tools they need to succeed.

To carry out this vision, the County’s Department of Economic Development proposes to undertake a variety of activities to support employment opportunities, grow key industry clusters, and expand the County’s tax base. These activities are laid out in the action items described below.

Goals and Action Items. The *Vision for Economic Development* includes four goals and specific action items for each goal. The table below describes each goal and lists a selection of action items for each goal (for the full list of action items, see Appendix I).

³ A *Vision for Economic Development in Montgomery County*, December 2008, Page 2.

⁴ Ibid, p. 2.

**Table 5-2: A Vision for Economic Development in Montgomery County, December 2008
Goals and Action Items**

<p>Goal #1: Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none"> • Implement a short-term strategy to help local businesses, including an economic stimulus package. • Aggressively recruit firms in targeted industry sectors (e.g., bio-pharma, aerospace, communications, green technology, and professional services) and grow non-tech sectors. • Upgrade and enhance the DED website and collateral materials to improve marketing and recruitment efforts. • Open a specialized one-stop career center focused on life sciences and technology careers. • Support the County's Smart Growth Initiative, with a focus on dense transit-oriented development; affordable, workforce and market-rate housing; high-wage jobs in biosciences and technology; and new higher education opportunities.
<p>Goal #2: Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none"> • Cultivate existing (e.g., biosciences, electronics, hospitality) and emerging (e.g., green/clean technology, financial service) industry clusters by forming taskforces that will include business, academia, and federal, state, and regional government entities. • Work with partners in the private sector and government to develop capital projects to enhance the quality of life in the County, create positive spillover effects, and respond to the needs of key industry clusters. • Support the commercialization of new technology and high-profile pilot programs.
<p>Goal #3: Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none"> • Coordinate policies with other governmental entities to ensure a supportive environment for cluster development and small business development. • Work with technology companies to train dislocated workers, low-income adults, older workers, disadvantaged workers, and youth.
<p>Goal #4: Establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses.</p> <p><u>Selected Action Items</u></p> <ul style="list-style-type: none"> • Build strong relationships with County-based international entrepreneurs to leverage networks in their countries of origin. • Expand the Business Innovation Network's (i.e., the incubator program) portfolio of international companies.

Source: *A Vision for Economic Development in Montgomery County*; December 2008.

The *Vision for Economic Development* also describes some of the recent initiatives that the Department of Economic Development has undertaken to meet its goals. Examples include:

- A new DED Division of Business Empowerment and a Micro-Enterprise Loan program, both of which focus specifically on the needs of small businesses.
- A new Biosciences Task Force to develop a Biosciences Strategy.
- A new Green Economic Development Initiative, to advance businesses, technologies, and jobs within the County that develop, deploy, or adopt green products/services.
- A new bioscience/technology incubator in Germantown that opened in October 2008.
- Strategic international business missions to Europe, Israel, and India in 2007 and to Korea and China in 2008.
- Emphasis on business retention, and stronger events such as Business Appreciation Week.

The text associated with Goal One indicates that “retention of existing businesses, especially during trying economic times and heightened competition from other jurisdictions, will be the top priority of DED.” It also states that, “alongside retention, business attraction will remain a high priority.”⁵ Other than those two statements, the action items in the *Vision* are not prioritized.

Further, as transmitted to the Council in December 2008, the *Vision* does not include an implementation time table or provide information about the cost of the action items. DED staff explain that the *Vision* was prepared as a long-term planning document, and that information related to the fiscal impact of specific items will be prepared on an annual basis in conjunction with the Department’s operating and capital budgets.

C. Performance Measures for the Department of Economic Development

The final section of the *Vision for Economic Development in Montgomery County* includes a list of performance measures developed by DED, working in consultation with CountyStat staff. The document states that these measures are incorporated into the *Vision* in order to assess the “overall strength of [the County’s] economic development strategy.”⁶

Table 5-3 (page 58) displays the eight headline measures DED developed to assess the strength of its two primary strategies: Business Attraction, Retention, and Expansion Efforts and Business Innovation Network; and the 18 sub-measures DED will use to measure six other strategies: Financing Economic Development Programs, Capital Project Investments, Marketing Programs, Global Linkages, Workforce Services, and Agricultural Services.

⁵ A *Vision for Economic Development in Montgomery County*; page 4.

⁶ A *Vision for Economic Development in Montgomery County*; page 13.

Table 5-3: Department of Economic Development's Headline Measures and Sub-Measures

Strategy	Headline Measures
Business Attraction, Retention, & Expansion Efforts	<ul style="list-style-type: none"> Jobs created by existing business expansion and new business attraction Total new capital investment by businesses currently located in the County and newly attracted companies and business start-ups Office space occupied by existing business expansion and new business attraction Survey results from the business that have participated in County-sponsored technical assistance programs Number of prospects in DED's "active" pipeline that are successfully closed
Business Innovation Network	<ul style="list-style-type: none"> Number of new jobs created by incubator tenant companies and graduates Occupancy rate, graduation rate, and residency rate of incubators in the network Number of intellectual property received and amount of federal and private financing received by incubator companies.
Strategy	Sub-Measures
Financing Programs (Economic Development Fund)	<ul style="list-style-type: none"> Number of EDF transactions completed Number and value of Micro-loans completed Number and value of Small Business loans completed Number and value of Impact Assistance grants provided Ratio and dollar value of all external funds leveraged per County dollar invested Number of jobs created or retained through these programs
Capital Project Investments	<ul style="list-style-type: none"> Ratio of private sector and non-County investment to County funds invested Jobs created through DED-led development projects
Marketing Programs	<ul style="list-style-type: none"> Number of companies participating in "I Am Montgomery" Number of new contacts (prospects) Number of website hits
Global Linkages	<ul style="list-style-type: none"> Amount of new foreign investments in County per County dollar invested Number of jobs created by international companies that DED assisted
Workforce Services	<ul style="list-style-type: none"> Number of job-seeking customers in the Intensive Service Program placed in jobs Number of employers assisted in training and recruitment
Agricultural Services	<ul style="list-style-type: none"> Cumulative and current acres of farmland protected Number of Farmers' Markets in operation Number of farms or farm businesses assisted

Source: *A Vision for Economic Development in Montgomery County*, December 2008 and the Department of Economic Development Performance Plan, December 2008.

Department's Performance Plan. A related document, the "Department of Economic Development's Senior Executive Performance Plan," contains the most recent data for DED's eight headline measures. These data were compiled by DED in collaboration with the CountyStat staff, and were most recently updated in December 2008. Appendix J contains the Performance Plan in its entirety.

Section 5 of the Performance Plan (titled "Story Behind Performance") identifies a set of "contributing factors" and a set of "restricting factors" for DED's headline measure groups of Business Attraction, Retention, and Expansion Efforts and the Incubator Program. Examples of contributing factors are:

- Locational advantages and high quality of life in the County;
- Strong partnership with the State to promote business attraction and retention; and
- Strong knowledge-based economy of the County that encourages entrepreneurship and the spin off of new entrepreneurs.

The restricting factors identified include:

- Limited marketing funds to carry out a sustained marketing campaign and distribute collateral material;
- High costs of conducting business due to market conditions and governmental regulations; and
- Strong competition from the region's other incubators.

The Performance Plan also addresses how DED plans to improve performance. The specific innovations and new initiatives that DED proposes to undertake are listed on the final two pages of the Performance Plan. Examples of DED's improvement ideas are:

- Create a comprehensive prospect guidebook for each targeted industry sector to highlight the advantages of locating in Montgomery County;
- Link start-up companies with sources of private capital, such as venture capital and international investment firms; and
- Conduct regular meetings with the Park and Planning Commission, Department of Housing and Community Affairs, Department of Permitting Services, and Regional Services Center staff to identify "significant prospect activities and provide unified and seamless support services to complete the prospect/project transactions."

CHAPTER VI: A SURVEY OF ECONOMIC DEVELOPMENT STRATEGIES AND CASE STUDIES

The International Economic Development Council (IEDC) describes the main goal of economic development as follows:

The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. As there is no single definition for economic development, there is no single strategy, policy, or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses. Each community, therefore, will have a unique set of challenges for economic development.¹

State and local economic development strategies can be grouped into three broad purposes, consistent with the IEDC definition:

1. *Importing Growth*: State and local governments implement policies and programs to attract jobs and grow the tax base by drawing investment from outside the region (known in the literature as “exogenous” growth). Under this approach, a locality advertises its assets and implements assistance programs to attract businesses to locate or expand in the community. Localities often compete against each other for sought after businesses.
2. *Growth from Within*: State and local governments also implement policies and programs to nurture the growth of new or existing businesses in the locality (known as “endogenous” growth). Under this approach, a jurisdiction implements programs to build and strengthen local economic assets through assistance to existing business and entrepreneurial development programs.
3. *Job Retention*: State and local governments implement programs to counteract economic forces that threaten the viability of businesses to continue operating within the locality. This approach seeks to increase production capacity or lower production costs for existing businesses facing difficult economic conditions or for businesses considering relocation out of the area.

This chapter presents the results of OLO’s research to identify innovative and award winning strategies and case studies of economic development programs and practices used in other communities. OLO conducted a web based search of research literature, program descriptions, evaluation reports and illustrative case studies.

The programs and case studies OLO selected for this chapter include programs funded by the State of Maryland that provide economic development resources to Montgomery County, programs that recently received awards from national economic development organizations or trade associations, such as the IEDC, and programs that otherwise demonstrate innovation.

¹ IEDC, Economic Development Reference Guide, http://www.iedconline.org/?p=Guide_Overview

OLO had anticipated that research into innovative and award winning state and local economic development programs would result in the identification of outcome-based “best practices.” OLO was able to locate an ample supply of economic development programs and activities that won blue ribbon awards from credible organizations, such as the International Economic Development Council and the National Association of Counties. However, an important caveat to the comparative information presented in this chapter is that OLO found little hard empirical evidence to demonstrate the efficacy of local government economic development programs, including those that are heralded as innovative or award-winning.

This chapter includes five sections:

- **Section A** presents strategies and case studies from communities seeking to import economic growth;
- **Section B** presents strategies and case studies from communities seeking to grow the area’s existing economic assets;
- **Section C** presents strategies and case studies from communities seeking to retain existing jobs;
- **Section D** presents strategies and case studies that seek to accomplish multiple economic development objectives; and
- **Section E** describes case studies from three jurisdictions that have reevaluated their investment in economic development activities.

A table listing the 20 case studies presented in this chapter appears on the next page.

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A. “Importing Growth” Strategies

State and local governments frequently implement programs intended to “import growth,” that is, to attract business entities from outside the area to invest in the community, raise the local tax base, and increase the supply of jobs.

1. Business Marketing Programs

Business marketing programs provide current market and demographic information to businesses interested in investing, locating or expanding in a specific area. The goal is to promote local assets (such as location, workforce, academic institutions, transportation facilities, and cultural attractions) that make an area attractive to business generally, and/or to specific groups of industries. Business marketing programs use a variety of communication modes including the Internet, print and broadcast media, and special events.

a. Public Sector Business Marketing Programs

Some business marketing programs are sponsored by state or local governments. Case study #1 describes the business marketing program run by the Fairfax County Economic Development Authority (FCEDA).

Case Study #1

Public Sector Business Marketing Programs Fairfax County, Virginia
<p>The Fairfax County Economic Development Authority (FCEDA) is an independent authority chartered by the Commonwealth of Virginia and funded entirely by the Fairfax County General Fund. The primary mission of the FCEDA is to promote investment and business growth in Fairfax County through marketing and outreach programs. The Authority provides businesses with market information, assists in locating office space, and serves as a liaison between businesses and Fairfax County regulatory agencies.</p> <p>The International Economic Development Council (IEDC) presents awards honoring excellence in the economic development profession. In 2008, the IEDC recognized the FCEDA’s advertising campaign that highlighted innovative companies and the highly educated and skilled workforce in Fairfax County. The IEDC noted that Fairfax County provides and promotes an array of free and confidential services to assist expanding companies and organizations, including special programs targeted at entrepreneurs seeking investors, small, minority and women owned businesses, and foreign firms interested in expanding into the United States.</p>

Sources: Fairfax County Economic Development Authority; International Economic Development Council

b. Private Sector Business Marketing Programs

Some business marketing programs are managed by private or quasi-private economic development organizations. Case study #2 describes the business marketing program managed by Select Greater Philadelphia, an economic development marketing organization created by area chambers of commerce to promote the Greater Philadelphia region.

Case Study #2

Private Sector Business Marketing Programs Select Greater Philadelphia
<p>In 2003, the Greater Philadelphia Chamber of Commerce merged with Greater Philadelphia First, a regional economic development agency, to form Select Greater Philadelphia (“Select”). Select is a marketing organization that promotes corporate expansions and relocations for 11 counties in greater Philadelphia, including five in Pennsylvania, five in New Jersey, and one in Delaware. A group of chief executive officers from businesses in the Philadelphia region serve as Select’s governing board (known as the “CEO Council for Growth”). The CEO Council for Growth emphasizes collaboration among the various economic development interests in the region.</p> <p>Select offers information to assist business relocation to the Philadelphia region. Select provides demographic, economic, and market data for the region and helps connect businesses with state and local government agencies. A central mission of Select is to promote the Greater Philadelphia region as a desirable business location. Select runs a marketing campaign that periodically places print advertisements in local and national general interest publications and in trade publications. Select also uses radio advertisements and its website to promote the Philadelphia region.</p> <p>In 2008, the IEDC recognized Select for its marketing campaign, particularly its magazine insert that promoted the Philadelphia region as a premiere life sciences cluster. The IEDC award also cited Select’s on-line “Greater Philadelphia Life Sciences Guide” that profiled life science business opportunities in the Philadelphia region.</p>

Sources: Select Greater Philadelphia; International Economic Development Council

2. Site Selection Assistance

Business site selection decisions take multiple factors into account, including the physical properties of a specific site, nearby assets and infrastructure, regulatory requirements, and the business climate of an area. Although businesses usually rely on site selection consultants to identify a list of potential properties, more and more economic development organizations use GIS technology to actively disseminate relevant site selection data. These web-based GIS applications are an efficient way to make relevant information continuously available to multiple audiences. Case Study #3 illustrates the use of this technology in Milwaukee, Wisconsin.

Case Study #3

Web Based Interactive Mapping Site Selection GIS Software Milwaukee 7, Southeastern Wisconsin

The Milwaukee 7 is a regional economic development partnership of seven counties in southeastern Wisconsin formed in September 2005. As part of its marketing effort, Milwaukee 7 sponsors a website (www.choosemilwaukee.com) to promote economic growth by providing detailed information about available business locations in the region.

The Milwaukee 7 website features an interactive map that allows users to search for available properties by county, property type (zoning) and square footage. The website also includes a tool that permits users to view aerial satellite images, street-level photos, listings of nearby businesses and infrastructure, and statistical data for specific properties.

The objective of this on-line site selection tool is to simplify the business attraction process by providing companies and investors with rapid and easily accessible answers to four questions:

- Is there available property, such as a vacant building or developable land?
- What are the site specific characteristics of the location?
- Which nearby businesses will be a source of synergy or competition?
- What are the geographically specific programs, infrastructure, support services and incentives available in a precise location?

In 2007, IEDC recognized the website as a winner of its Best General Purpose Web Site award. IEDC's award acknowledged the potential of interactive mapping software created specifically for economic development purposes.

Sources: The Milwaukee 7, GIS Planning, Inc., International Economic Development Council

3. Attracting International Investment

The ultimate form of “importing growth” is to attract capital from outside the boundaries of the United States. Several state and local governments have developed programs:

- To encourage foreign businesses to invest in their community; and
- To promote the services and products of local businesses in foreign markets.

Case Study #4 highlights the international business marketing activities of one California county.

Case Study #4

International Trade Office San Bernardino County, California
<p>San Bernardino County created the “International Trade Office” in 2006 to provide services to help County businesses better compete in the global economy. The International Trade Office fosters overseas business connections and helps brand the County as an attractive location for international firms to do business.</p> <p>A private sector-led group (known as the “International Trade Advisory Council”) provides guidance to the International Trade Office. The Office also works closely with chambers of commerce, universities, and municipal economic development agencies to increase awareness of international trade opportunities in San Bernardino County.</p> <p>The International Trade Office offers export/import resource services, global connection programs, educational outreach programs, trade missions and international branding and tourism campaigns. Since it was created two years ago, the International Trade Office has trained more than 650 businesses through its Global Matchmaking program.</p> <p>For the past three years, the International Trade Office has organized trade missions to Asia. In 2006 and 2007, the missions aimed to match local companies with overseas trade partners. In 2008, in response to the economic downturn, the mission focused on identifying foreign investors willing to invest capital in local business ventures.</p> <p>In 2008, the San Bernardino County International Trade Office received a National Association of Counties Achievement Award as a unique and innovative economic development program. In 2007, the California Association for Local Economic Development honored the San Bernardino County International Trade Office with an Award of Excellence for the County's innovative approach to linking local businesses with counterparts in the international marketplace.</p>

Sources: National Association of Counties; Inland Empire Business Journal, “The County's Office of International Trade Honored,” June 1, 2008; The Press-Enterprise, “San Bernardino County Officials to Head Out on Trade Mission,” November 6, 2008.

B. “Growth from Within” Strategies

Many state and local governments have developed programs intended to strengthen the local economy by growing local assets. “Growth from Within” strategies seek to cultivate local factors of production (that is, land, labor, and capital) to promote the expansion of existing local businesses and the formation of new businesses.

1. Business Incubators

The term “business incubator” can refer to an entity, program or facility that provides an array of business support services, such as mentoring, loans and/or access to capital, or legal advice. The goal of all incubators is to help businesses develop and mature; however not all incubators follow the same business model. The business model an incubator adopts depends on its purpose and the number, type and financial strength of its sponsors.

- **Traditional incubators** operate heavily subsidized programs that provide office space to developing companies. Many also provide business support services. These are often established by well financed universities or government agencies.
- **Virtual incubators** provide access to services without office space accommodations. Also called “incubators without walls,” they satisfy an entrepreneur’s need for access to advice, services, and capital without the additional operating costs of a building or facility.
- **Hybrid incubators** offer a full spectrum of services to tenants housed in an incubator building, and a second tier of services to affiliate members or non-residential businesses. Affiliate members may be businesses that are not yet able to afford the rent, or businesses that are on a waiting list for incubator space.

Case Study #5 shows how a virtual incubator, managed by a private company and funded by a local government, provides advice and funding connections to promising companies.

Case Study #5

Creative Business Accelerator London, UK

Creative Business Accelerator (CBA) is a business incubator program established by the City of London and the London Development Agency to support creative and innovative early stage businesses.

The London incubator program is managed by Greater London Enterprise, (GLE), a jointly-owned private company that carries out economic development initiatives on behalf of 33 London boroughs. Two GLE staff members are responsible for managing the incubator program, along with other responsibilities. GLE also seeks financial support and guidance from several private sector partners, including Oracle, and Google.

The Creative Business Accelerator program consists of year long series of events. In November, CBA holds a one-day workshop. The 70 companies receive advice on several aspects of business operations, plus the opportunity to network with successful entrepreneurs, venture capitalists, bankers and others. Next, CBA selects 15 companies to participate in an intensive three-month program. This program provides individualized business assessments by a panel of experts, interactive mini-workshops, and one on one mentoring. At the conclusion of the program, participants are expected to seek investors to provide capital for further growth of the company.

Greater Detroit Creative Business Accelerator Strategy: Best Practices, a study commissioned by Detroit Renaissance to identify replicable best practices for business incubators, recognized CBA as a low-cost, low-risk option for helping startups grow.

Sources: Detroit Renaissance; Greater London Enterprise.

Case Study #6 illustrates the operation of a hybrid incubator that targets emerging technology companies in Orlando Florida.

Case Study #6

University of Central Florida – Technology Incubator Orlando, Florida

In 1992, the University of Central Florida (UCF), in partnership with the Florida High Tech Corridor and NASA, established the UCF Technology Incubator. UCF Technology Incubator targets emerging technology companies across several industries, such as biomedical, digital media, IT products and services, and Optics.

The incubator is part of UCF's Office of Research & Commercialization and it works closely with UCF's Office of Sponsored Research and its Technology Transfer program. The initial incubator facility was located on the UCF campus. Since then, the incubator has expanded its industry focus and expanded its programs to include virtual clients. Today, the incubator operates facilities in downtown Orlando and in Sanford, Florida. It also has a separate office to serve Hispanic owned businesses.

The UCF Technology Incubator's array of services include mentoring, operational and strategic advice, networking events, marketing assistance, educational programs, access to University faculty, labs, and shared space, including meeting rooms and office space. The incubator charges rent, at slightly below market rates, to its resident clients, and it charges offsite and virtual clients a monthly fee of \$250.

Rents paid by incubator tenants provide almost half of program funding. The remaining funding comes from the University's annual budget, plus other large research initiatives; local government funding from the City of Orlando and Orange and Seminole counties; and two local economic development entities.

According to *Greater Detroit Creative Business Accelerator Strategy: Best Practices*, the UCF incubator was a leading asset in the transformation of the Orlando region as it focused its economic development efforts to de-emphasize tourism and move toward technology and the creative industries. The report states that in addition to its success in growing companies, the UCF incubator showed remarkable success in its willingness to expand throughout the region as needs arose.

Source: Detroit Renaissance. *Greater Detroit Creative Business Accelerator Strategy: Best Practices*. January 2008.

2. Business Service Networks

Business service networks are programs that link small businesses or aspiring entrepreneurs to technical assistance and/or mentoring advice. The goal of these programs is to connect new and growing businesses with established, successful, and experienced businesspeople. Business service networking can take different forms including: peer to peer mentoring programs, business roundtables, and the Service Corps of Retired Executives (SCORE) volunteer program that connects experienced entrepreneurs with those who are just starting out.

Case Study #7 describes an award-winning business service network for small businesses in the Kansas City metropolitan area.

Case Study #7

KCSOURCELINK Business Services Network Kansas City Region
<p>KCSOURCELINK is a business service network consisting of 140 non-profit organizations that provides free business advice and assistance to emerging and established small businesses in the 18-county Kansas City region. The network consists of incubators, small business development centers, financiers, chambers of commerce, economic development organizations and others. KCSOURCELINK “network resource partners” offer small businesses a range of services, including:</p> <ul style="list-style-type: none">• Business plan development;• Marketing assistance;• Web site development;• Legal and tax services;• Advice on local government regulations and zoning requirements;• Financial guidance and assistance; and• Office, laboratory, and meeting space acquisition assistance. <p>KCSOURCELINK offers referral services by phone, e-mail, or through a web-based “Network Navigator.” KCSOURCELINK provides access to other resources online, these include a resource library, a list of network sponsors, news articles and success stories.</p> <p>KCSOURCELINK was founded with assistance from the Ewing Marion Kauffman Foundation (a private foundation to advance entrepreneurship); the Henry W. Bloch School of Business and Public Administration at the University of Missouri-Kansas City (UMKC); and the United States Small Business Administration. KCSOURCELINK received the 2007 U.S. Department of Commerce Excellence in Economic Development Award for enhancing regional competitiveness. Business service networks in Cleveland, Ohio, Jacksonville, Florida, and the state of Kansas have been modeled after KCSOURCELINK.</p>

Source: KCSOURCELINK; United States Small Business Administration

3. Sectoral Employment Workforce Development Initiatives

Sectoral employment development initiatives are workforce development programs that help workers find jobs, and at the same time improve the regional economy by addressing labor needs in targeted industry sectors. According to the National Network of Sector Partners, more than 200 sector initiatives were underway in 2003.²

There are two approaches to selecting industries targeted for sectoral employment development initiatives. For example, a program could be designed to serve the labor needs of an established industry that is experiencing labor shortages; alternatively, a program could be structured to target the needs of an emerging industry. The case studies below illustrate these two approaches.

a. Workforce Development for Established Industry Clusters

An established industry cluster is a concentrated group of businesses in an industry sector with an existing track record of profitable performance. In many communities today, hospitals and supporting diagnostic service companies are established businesses that provide a substantial part of the local employment base. Case Study #8 shows the response of the Workforce Investment Board in Southeastern Minnesota to projected labor shortages in the healthcare industry.

Case Study #8

The Healthcare Academy Workforce Development Inc. (WDI) Southeastern MN
<p>Workforce Development, Inc. (WDI) is the designated Workforce Investment Board for 10 counties in Southeastern Minnesota. The WDI service area includes the City of Rochester, home of the Mayo Clinic. The health care industry is the largest employer in the WDI region.</p> <p>WDI services target low-income, disadvantaged populations with multiple barriers to meaningful employment. WDI conducted an industry analysis that identified high demand for health care jobs in the area. In response to this finding, WDI created a Healthcare Academy. To select Healthcare Academy participants, WDI targets individuals with an interest in health care who are eligible for public benefits. Selected participants receive case management services, tuition assistance, job development assistance and job retention services, in addition to the classroom training.</p> <p>The Healthcare Academy operates four sites in the WDI service area. Participants train to work in nursing or to move into radiography or medical transcription. Healthcare Academy classes are integrated into healthcare facilities so they are driven by current industry needs, and so health care professionals can provide students on-site mentoring and support.</p>

Source: Workforce Strategies Initiative, Workforce Development, Inc.

² Sector FAQ accessed at www.aspenwsi.org?WSIssector-faq.asp

b. Workforce Development for Emerging Industry Clusters

An emerging industry cluster is a developing concentration of businesses in an industry sector. Some or all of emerging industry cluster businesses may have a limited track record of profitable performance. Although uncertainty exists about future product demand, growth potential, and market conditions, an emerging industry cluster that successfully transitions to a growth industry can be a source of new jobs. Positions in many emerging industry clusters, such as biotechnology or nanotechnology, must be filled by highly trained workers. Some communities are experimenting with workforce development programs that provide this training for emerging industry clusters. Case Study #9 illustrates one of these programs.

Case Study #9

Biotechnology Training Program Palm Beach County, Florida
<p>In 2004, Workforce Alliance, a non-profit chartered by the State of Florida to develop and manage a workforce system in Palm Beach County, used a \$2.3 million federal grant to launch the Biotechnology Training Program. The stated purpose of the program was to “develop a highly skilled workforce to support an expected influx of biotechnology and life sciences companies” in Palm Beach County.</p> <p>Workforce Alliance created a partnership of regional educators, including Florida Atlantic University, Indian River Community College, and biotechnology and life sciences employers in Palm Beach County. The partnership established a certificate program to train participants for entry careers in biotechnology and a biotechnology career ladder.</p> <p>The Federal Government provided three years of grant funding for the Biotechnology Training Program. From 2004 to 2007, the program trained about one hundred participants. Of these, 56 earned bioscience certificates, six earned advanced bioscience certificates, and three are now pursuing master’s degrees. According to the Department of Labor, the program also influenced the establishment of a new biotechnology laboratory at Indian River Community College and laboratory and distance learning upgrades at Florida Atlantic University.</p> <p>The U.S. Department of Labor Recognition of Excellence Award recognizes innovative and valuable approaches to train workers to compete in environments that demand high levels of education and proficiency.</p>

Source: Workforce Alliance; U.S. Department of Labor.

C. Job/Business Retention Strategies

Many states and local jurisdictions have put together incentive packages to retain jobs in the area. In contrast to incentives that require job creation, these packages authorize tax expenditures in exchange for a company's investment in labor or equipment to enhance production capacity or lower production costs. Communities implement these programs in recognition that job retention is as important, and often easier, than creating new jobs.

a. Traditional Business Retention Incentive Packages – State Programs

Several states offer financial subsidies to businesses that are already located within their borders. The programs typically offer a combination of financial assistance and/or tax credits. The subsidies are intended to support the creation of new jobs and/or capital investments that would increase a company's production capacity or lower its production costs. Exhibit 6-1 describes the features of some state business retention incentive programs. (See Case Study #18 for recent reforms to the New York State program.)

Exhibit 6-1: A Description of State Job Incentive Retention Programs

Michigan. Michigan Economic Growth Authority (MEGA). Job retention incentives contingent upon meeting one of the following two provisions: 1) the business maintains 150 retained jobs at a facility, maintains 1,000 or more full-time jobs in Michigan and makes new capital investment, or 2) the business is located in Michigan at the time of the application, maintains at least 100 retained jobs at a single facility, and agrees to make new capital investments (by the end of 2006) equal to the greater of \$150,000 per retained job at the facility, or \$15 million. This program also provides incentives for new jobs.

New Jersey. Business Retention and Relocation Assistance Grant (BRAG). Businesses that have operated in New Jersey for at least 10 years and that relocate and retain at least 250 jobs within the state are eligible for business tax credits and exemptions. When at least 500 jobs are relocated within the state, a maximum regular benefit of a \$1,500 credit issued per full-time job may be granted. Relocating 2,000-plus jobs into a designated urban center can qualify a business for an additional grant.

New York. Empire Zones Qualified Empire Zone. Enterprises are eligible for sales tax exemption, real property and business tax credits for businesses hiring new employees, making capital investments or preventing job loss in the zone by retaining all or some of their existing jobs.

Ohio. Ohio Job Retention Tax Credits. Businesses that retain at least 1,000 full-time employees and make a fixed investment of at least \$200 million during a three-year period are eligible. The credit provides a non-refundable tax credit for up to 75% of state income taxes withheld per employee for up to 15 years. Non-refundable tax credits can be used to reduce the applicant's corporate franchise or income tax liability of company operations in Ohio.

Texas. Enterprise Zones. Dependent upon the amount of capital investment, the number of new jobs created or retained and the distress level of the community. Additionally, businesses are eligible if the investment increases the production capacity by 10 percent, or reduces the overall cost per unit produced by 10%, or if an investment in re-tooling prevents the facility production from falling. Only 85 designations may be awarded every two years.

Source: Excerpted from Karin Richmond. "Retention Incentives: Cashing In On a Growing Trend." Business Xpansion Journal at http://www.bxjonline.com/bxj/article.asp?magarticle_id=806

b. Enterprise Zones

Enterprise zones are economic development programs that target public resources and benefits, such as tax credits, expedited permits, or regulatory waivers, to all businesses within a certain geographic area or “zone.” The intent is to benefit economically distressed areas by encouraging businesses to reinvest, expand and create jobs.

Both the procedures for designating zones and the program characteristics vary widely among jurisdictions. For example, some states have an automatic process for designating zones, whereas other states, including Maryland, require local community leaders to authorize designation. Case study #10 describes the enterprise zone program for the State of Maryland. (A brief discussion of the Enterprise Zone tax credit in Montgomery County is in Chapter IV, page 45.)

Case Study #10

The Enterprise Zone Program State of Maryland

The Enterprise Zone Program in Maryland was established to provide tax incentives to businesses and property owners in economically distressed communities. In 1982, there were two Maryland enterprise zones; today, there are 28 zones in 14 jurisdictions. State legislation requires that a local government authorize the designation of a zone. To date, Montgomery County has designated three enterprise zones, two of which have expired:

- The Silver Spring Zone (expired in December 2006);
- The Wheaton Zone (expired in December 2008); and
- The Long Branch/Takoma Park Zone (will expire in June 2013).

After a zone is established, a business in a zone must request certification from a local zone administrator. A certified business is eligible for two benefits:

- The first benefit is a ten-year property tax credit against the local real property taxes related to a portion of the business’ real property improvements. For the first five years, a business can receive a tax credit calculated at 80% of its assessment increase. For the next five years, the tax credit decreases by 10% annually. The State reimburses a local jurisdiction for one-half of property tax abatement.
- The second benefit is a credit for wages paid to new employees. For each economically disadvantaged employee, a business can receive a credit of \$6,000 per worker over a three-year period. For other employees, a business can receive a one-time credit of \$1,000 per worker.

According to the DBED, between FY00 and FY09, the amount of property tax credits increased from \$3.8 million to \$20.2 million. In Montgomery County, between FY06 and FY09, the amount of capital investment in enterprise zones increased from \$110.8 million to \$380.3 million. This represents an increase of 243% over the four-year period.

Source: Maryland Department of Business and Economic Development (DBED)

c. Incumbent Worker Training Programs

Incumbent worker training programs use public funds to train workers employed at existing businesses. States are offering these programs as a business retention strategy in response to an increasingly competitive business climate and other economic changes.

A variety of funding sources exist for incumbent worker training programs including: federal Workforce Investment Act funds, surcharges on unemployment insurance taxes, and tax credits. According to estimates by the W.E. Upjohn Institute for Employment Research, in 2006, approximately 1.33 million incumbent workers were trained with public subsidies to approximately 30,300 firms, resulting in a typical subsidy of \$23,700 per firm and \$540 per worker.³ Case Study #11 describes the incumbent worker training program for the State of Massachusetts.

Case Study #11

The Workforce Training Fund Program State of Massachusetts
<p>In 1999, the State of Massachusetts established the Workforce Training Fund (WTF) as a competitive grant program to support incumbent worker training. Funding for the program comes from mandatory employer contributions accompanying unemployment insurance taxes. In 2006, the maximum annual contribution per employee was \$8.40. The Fund receives about \$21 million annually. The WTF program regulations require a company to make a 100% matching contribution. According to the 2006 Semi-Annual Report, since it started, the program has awarded \$120 million to 2,809 companies to train 172,000 workers.</p> <p>A study by the Upjohn Institute estimates the average contract amount was \$60,000; the average number of workers trained was 100 workers, and the average training period lasted 18 months. The Upjohn study found that 65 percent of the grants went to manufacturing firms, although they represented only 14% of all private sector firms. The Upjohn evaluation also collected self-reported data about the program impact. The self-evaluations suggested that the training grants had positive impacts including improved productivity and competitiveness, wage increases and averted layoffs.</p>

Sources: W.E. Upjohn Institute for Employment Research and Massachusetts Dept. of Workforce Development

³ Hollenbeck, Kevin. *Is There a Role for Public Support of Incumbent Worker On the Job Training?* Upjohn Institute Staff Working Paper No. 08-138. January 2008; <http://www.upjohninst.org/publications/wp/08-138.pdf>.

D. Strategies Designed to Achieve Multiple Objectives

Some government economic development strategies seek to achieve multiple objectives by offering assistance to attract outside businesses; to assist the growth of local businesses; and to preserve existing local jobs and businesses.

1. Business Incentive Programs

State and local governments offer financial incentives to businesses that provide benefits to the local economy. Incentives may take the form of direct cash outlays, tax credits, in-kind contributions, infrastructure improvements, land dedication, or regulatory waivers or fee subsidies. Governments offer business incentives to attract non-local businesses to the community and to assist in the development and growth of local businesses.

a. Entitlement Incentive Programs

A government may offer business financial assistance as an “entitlement” or as a “discretionary” incentive. Entitlement programs allocate incentives to all projects that qualify based on a set of pre-defined criteria. Entitlement programs often have annual funding caps and allocate funds on a first come first served basis. The following case study is a Maryland example of an entitlement incentive.

Case Study #12

Business Incentive – Entitlement Program Maryland Biotechnology Investment Incentive Tax Credit
<p>In 2005, the Maryland General Assembly created the Maryland Biotechnology Investment Tax Credit program. This program provides income tax credits for individuals, corporations, and venture capital firms that invest in a Qualified Maryland Biotechnology Company (QMBC). A QMBC is a Maryland-based biotechnology company that has fewer than 50 employees and has been in business no longer than 10 years. The tax credit has a value of 50% of the annual investment made in a QMBC up to a maximum of \$50,000 for individual investors and \$250,000 for corporations and venture capital firms.</p> <p>The State Department of Business and Economic Development (DBED) reviews Biotechnology Investment Tax Credit on a first come first served basis and approves the tax credit for all qualified investors (thereby, making this an entitlement incentive program). In each fiscal year, DBED may approve tax credits totaling up to a prescribed appropriation limit as determined annually by the General Assembly.</p> <p>As of January 2008, DBED reports that this tax credit attracted \$24 million dollars in total capital investment including investments in several emerging biotechnology companies located in Montgomery County.</p>

Source: Maryland Department of Business and Economic Development

b. Discretionary Incentive Programs

Discretionary incentive programs authorize a public entity to enter into negotiations with a business to craft an incentive package that addresses its specific needs. With discretionary incentives, a government takes into account factors such as the type, quality, and location of jobs to be provided; economic benefit of the project to the community; the financial resources and growth potential of the company; and the company's willingness to assist the government achieve other community goals.

The case study below is an example from the State of Maryland of a discretionary incentive program in which the government assesses the merits of an incentive package based of its contribution to the economic well-being of the community.

Case Study #13

Maryland Economic Development Opportunities Program (Sunny Day) Fund State of Maryland

In 1988, the Maryland General Assembly created the Economic Development Opportunities Program Fund (also known as the "Sunny Day" Fund). The Sunny Day Fund is a revolving fund that provides financial assistance for business attraction, retention, or expansion. As stipulated in State law, a recipient of Sunny Day Fund financial assistance must:

- Maintain a strong financial condition and minimal risk profile;
- Be capable of accessing alternative sources of financing through financial institutions or capital markets;
- Provide a minimum capital investment of at least five times the amount of the Sunny Day assistance;
- Invest in a project that is consistent with the State's economic development strategic plan;
- Create or retain substantial employment, particularly in areas of high unemployment.

Applicants may request either grants or loans from the Sunny Day fund. The Department of Business and Economic Development (DBED) reviews applications for their compliance with the above criteria. DBED also prepares an analysis of the economic and employment impact of proposed of Sunny Day grants or loans. DBED submits its analysis of the Legislative Policy Committee of the General Assembly for approval.

From the program's inception through the end of FY08, DBED reports that the Sunny Day Fund had provided more than \$160 million in assistance to a total of 118 projects.

Source: Maryland Department of Business and Economic Development

The next discretionary incentive program case study (from Boulder, Colorado) differs from the previous case study in two ways. First, in contrast to the Sunny Day fund, the Boulder “flexible rebate” program offers tax and fee rebates (as opposed to grants and loans) as the incentive for private investment. In addition, the Boulder program requires incentive recipients to assist the community achieve other (non-economic development) objectives.

Case Study #14

Flexible Rebate Incentive Program City of Boulder, Colorado
<p>The City of Boulder Colorado created the “flexible rebate” program to provide local businesses incentives to upgrade facilities and equipment and to purchase their places of business. Through this program, the City Manager is authorized to negotiate a customized package of incentives for businesses that invest in the City. Incentives include rebates of equipment and construction use taxes, permitting fees, development review fees and taxes. To be eligible for the tax rebates, a business must:</p> <ul style="list-style-type: none">• Operate within the Boulder city limits;• Generate at least 75% of its revenues from outside of Boulder County;• Be current on all fees and taxes owed to the City; and• Agree to make its internal records available for audit by the City. <p>Businesses receiving rebates also must agree to maintain a business presence in Boulder for a minimum of three years. Businesses must reimburse the City for the total amount of the incentive received if it moves out of Boulder within three years of receiving a rebate.</p> <p>In addition, a business must demonstrate that it meets certain “community sustainability” guidelines to participate in the flexible rebate program. To comply, a business must demonstrate that it has achieved defined benchmarks in certain “social sustainability” and “community and environmental sustainability” requirements. Social sustainability requirements include meeting minimum wage requirements; providing workers health insurance; achieving diversity standards; support the non-profit sector; and providing a dependent care benefit to workers. Community and environmental sustainability requirements include conducting an energy and water use audit; implementing a pollution reduction program; developing a trip reduction program; and implementing a recycling program.</p>

Source: City of Boulder, Colorado, Office of Economic Vitality

2. Targeted Workforce Development Programs

Targeted workforce development programs direct job training and education funds to address specific needs of a community. Both of the workforce programs presented below began with a detailed analysis of an area's economic forecast and/or its potential labor market.

a. Targeted Industries/Careers

A workforce development program can train and graduate program participants but fail to supply workers that are in demand by businesses in the area. Case Study #15 shows how one workforce development program changed its direction to match worker training with the jobs in greatest demand by area industries.

Case Study #15

The “Hot Jobs” List Workforce Development Inc. (WDI) Southeastern MN
<p>Workforce Development, Inc., the designated Workforce Investment Board for 10 counties in Southeast Minnesota, delivers services on behalf of the State and counties. In the early 2000s, WDI reviewed its job services program and found that it trained jobseekers for jobs the community did not need. In response, WDI conducted a labor market analysis to identify jobs in the greatest demand in the region so that it could redirect its resources to prepare jobseekers for those jobs.</p> <p>Based on the results of this analysis, WDI created a “hot jobs” list to direct training dollars toward those jobs with the greatest employer demand. WDI also defined a “hot job” as one that pays a living wage, or is in high demand with a career ladder leading to a higher paying occupation.</p> <p>WDI allocates its support for workforce services to correspond to its list of “hot jobs” in targeted industries. Specifically, WDI will fund up to two years of training for a listed “hot job”; or up to one year of training for a job that is not listed but has potential for career growth. WDI does not provide training dollars for jobs without potential for career growth.</p> <p>In the first year, the share of workers who received assistance to pursue the list of 50 hot jobs was 70%, compared to 23% the previous year. In 2004, when WDI expanded the list to 75 “hot jobs”, almost 80% of program participants selected training for these positions.</p>

Source: Workforce Strategies Initiative, Workforce Development, Inc.

b. Targeted Populations

Some workforce development programs target job training for specific disadvantaged populations. Case Study #16 describes a job training program designed to simultaneously address employment barriers faced by the Latino community and labor shortages facing hospitals in Chicago.

Case Study #16

Carreras en Salud: Bilingual Health Care Career Pathways Partnership Chicago, Illinois
<p>With funding from the State of Illinois, the City of Chicago and private foundations, a partnership of community organizations in the Chicago area created the Carreras En Salud program to:</p> <ul style="list-style-type: none">• Supply local health care providers with bilingual health care professionals;• Improve the cultural competency of health care organizations in Chicago, and• Provide technical training, support services, and labor market access to help Latinos with low literacy levels, low English proficiency, or other barriers, achieve self sufficiency. <p>The program consists of a series of training modules that provide several points of access to an integrated career ladder. The program offers health care career education as well as training in computer skills, test taking, problem solving, leadership skills, and communication. Participants can enter and exit the education and training at several points so the program accommodates a variety of individual circumstances.</p> <p>In 2007, the National Council for Continued Education and Training awarded Carreras en Salud the National Exemplary Program in Workforce Development Award. In 2008, the U.S. Department of Labor awarded the program its “Recognition of Excellence Award.” The Labor award honors programs or initiatives that provide effective career enhancement services to populations that face significant employment barriers.</p>

Sources: The Aspen Institute, Chicago Jobs Council – Bridging Into Health Care, Instituto Del Progreso Latino and National Council of La Raza Health Care Career Pathways Initiative.

3. Workforce Intermediaries and Funding Collaboratives

In 2004, a collaboration of national non-profits, including the Ford Foundation, the Annie E. Casey Foundation, and Jobs for the Future, launched pilot initiatives in Baltimore, Boston, New York City, and San Francisco to establish a national support infrastructure of “workforce intermediaries” and “funding collaboratives.”

A workforce intermediary is a third party organization established to bridge the gap between employers and low-income workers. The core functions of an intermediary are planning, convening employers, brokering services, and gathering current labor market information. Advocates of workforce intermediaries envision them as an “organizer” of the local labor market that serves workers and employers in much the same way community development corporations have promoted housing and commercial development in poor communities.

A funding collaborative is a group of private and public partners who form a pool of funds to foster the formation and expansion of workforce intermediaries as new labor market institutions. Funding collaboratives offer a mutual fund approach to funding workforce programs, foster collaborative and coordinated grant decision making, and align civic leadership around a common vision for the community.

Case Study #17 describes Skillworks, a program administered by a funding collaborative in Boston.

Case Study #17

The Boston Funders Group Skillworks Program Boston, Massachusetts

Several partners, including the Boston Foundation (a consortium of 13 local and national foundations), the City of Boston, and the State of Massachusetts created Skillworks, a \$15 million investment pool, to fund innovative workforce programs and advocacy work. Skillworks' goals include:

- Helping low income people to attain family sustaining jobs;
- Improving the quality of the workforce for businesses in dynamic economic sectors with high quality jobs;
- Increasing the resources targeted to education and skills training;
- Increasing the capacity of the workforce development providers; and
- Promoting public policy changes.

The Boston Funders Group operates Skillworks as a formally structured funder collaborative, blending its investments from multiple sources into a single source of public/private grants to service providers. Members exercise control over the disposition of funds through participation in the Group. The Group meets every two months to discuss strategy and make investment decisions.

Skillworks directs resources to assist low-skill workers in stagnant, low-wage jobs. A central component of the Skillworks' mission is to help place program participants in jobs with advancement opportunities and with wages sufficient to support their families.

Skillworks structures its job services around "workforce partnerships." Workforce partnerships assemble teams of employers, trainers, and community organizations by sector or occupation type to provide multiple points of entry to services for job seekers and low- to moderate-income workers. Workforce partnerships offer basic education, vocational, career coaching, and asset development services. Skillworks invests in two types of workforce partnerships:

- Implementation Partnerships, which have career ladder services in an industry sector, receive \$1 million grants for a three-year period; and
- Planning Partnerships receive one-year, \$50,000 grants to develop a program design or research workforce development needs. A recipient can apply for a three-year implementation grant at the end of the planning year.

Sources: Skillworks: Partners for a Productive Workforce: Jobs for the Future, The National Fund for Workforce Solutions.

E. Reevaluating Economic Development Strategies

Recently, some jurisdictions have begun to reevaluate their investment in economic development activities. This section presents three case studies of recent or ongoing changes in government economic development programming and spending.

In Case Study #18, the Governor of New York instituted reforms in a well-established State business incentive program to try to improve the State's return on investment.

Case Study #18

Empire Zone Incentive Program Reform State of New York
<p>In 1986, New York State created the "Empire Zone" business tax incentives program. Under this program, New York designated 82 "empire zones" throughout the State where new and expanding businesses are eligible for financial incentives. Empire Zone incentives include income tax credits (for hiring new workers and for investing in property and equipment), property tax credits, and sales tax credits or refunds.</p> <p>Approximately 9,800 businesses currently receive Empire Zone incentives. For the current fiscal year, the Empire Zone program is projected to cost the State approximately \$600 million in foregone revenue.</p> <p>When first created, the program did not impose any minimum investment or wage standard on incentive recipients. Beginning in 2005, new program participants were required to demonstrate that the business would produce at least \$15 in actual investment and wages for every \$1 in State tax incentives.</p> <p>On December 16, 2008, New York Governor David Paterson announced major reforms of the Empire Zone program. The Governor changed the program eligibility standard to require all program participants to produce at least \$20 in actual investment and wages for every \$1 in State tax incentives. The State also will discontinue incentives for current program participants that fail to achieve the new standard. In addition, the Governor announced that certain industries (such as utilities, retail, and real estate which are engaged in activities that make them unlikely to relocate outside of the State) would be excluded from the program in the future. The Governor expects these reforms will reduce the annual cost of the Empire Zone program by about 45%.</p> <p>In announcing the reforms, Governor Paterson stated:</p> <p>"We will force each company that receives these benefits to pass rigorous standards ... [a]nd if they fail to do so, they will be removed from the program. ... [W]e cannot waste money on tax breaks for companies that fail to produce results. Just like any business, the State must demand a return on its investment."</p>

Sources: New York Department of Economic Development; Office of Governor David A. Paterson

The next case study describes the business incubator experience of a community in Contra Costa County, California. Contra Costa County is a jurisdiction of about 1 million residents located on the east side of San Francisco Bay.

Case Study #19

Contra Costa Software Business Incubator Concord, California
<p>The City of Concord created the Contra Costa Software Business Incubator (CCSBI) in 1997. CCSBI housed developing software development businesses in a building located in Concord. CCSBI also provided educational and business assistance programs designed to support entrepreneurial development and business ownership.</p> <p>From 1997 through 2004, CCSBI housed about two dozen businesses and offered management and technical assistance to about 100 other businesses. Of the 13 companies that graduated from CCSBI, six located in the Concord area. Three of the six graduate companies that remained in Concord went out of business by 2004. CCSBI estimated that the three surviving local businesses provided about 100 jobs to the City.</p> <p>The City of Concord invested a total \$2.3 million in CCSBI from 1997 through 2004. The CCSBI business plan assumed that the incubator would become self-supporting within a few years. In 2004, the City's Redevelopment Agency received a report concluding that the incubator "was never able to develop a sustainable economic model." The report found that "CCSBI relied on success fees from incubator companies to provide equity support to sustain its operations. Growth of CCSBI's companies did not develop to the extent necessary to generate these fees and without these fees, CCSBI could not continue."</p> <p>In 2004, the City of Concord closed CCSBI, relocated the remaining businesses, and sold the building that had housed the incubator. That same year, two other Bay area communities, Richmond and Vallejo, ended their incubator programs.</p>

Sources: City of Concord, California; Contra Costa Economic Partnership; *San Francisco Business Times* "Cities Rework Incubator Plans," June 21, 2004.

The final case study of this chapter presents the current challenges of a suburban Boston community that had invested in an arena to stimulate economic activity in the area.

Case Study #20

Paul Tsongas Arena Lowell, Massachusetts

In 1994, the State of Massachusetts and the City of Lowell funded the construction of a mid-sized, multi-purpose arena. The purpose of this project was to create a venue that would attract visitors to the area, provide jobs, and stimulate economic activity in and around the City of Lowell. The State supplied \$24 million (including a \$4 million contribution from the University of Massachusetts-Lowell) for construction of the arena. The City of Lowell provided \$4 million in construction funding as well as the land for the project. The arena opened in 1998 and was named after the late Senator Paul Tsongas.

The Tsongas Arena hosts between 140 and 180 events each year including sporting events, concerts, shows, conventions, and public meetings. The facility is home to a minor league hockey team as well as the University of Massachusetts-Lowell hockey team. The arena seats 6,500 spectators for hockey and up to 7,800 for other events.

The City of Lowell owns the facility and the City's Arena and Civic Stadium Commission oversees the operation of the arena. The Commission has contracted with a private company to manage arena operations. The arena has run an operating deficit each year since its opening. The current year operating deficit is projected at \$900,000. In addition, the City of Lowell pays \$400,000 in annual debt service payments.

In December 2008, the *Boston Globe* reported that the City of Lowell is stepping up efforts to cut costs, attract new acts, and boost revenue at the Tsongas Arena. The City hired a consulting firm to perform an operational audit of facility costs and event booking practices. The Arena and Civic Stadium Commission plans to reevaluate several arena-related issues including the contract terms the facility management company, advertising and marketing strategies, and revenue share agreements with event organizers. City officials had entered into negotiations with the University of Massachusetts to take over ownership of the arena; however, the University rejected the proposal.

The *Globe* quoted Lowell City Manager Bernard Lynch as saying: "the problem with the arena is there have been a lot of hastily made decisions. We're not getting the number of concerts and other events."

Sources: City of Lowell, Massachusetts; *Boston Globe*, "Officials Hope to Turn Arena into a Winner," December 18, 2008.

CHAPTER VII. SUMMARY OF FINDINGS

This chapter summarizes the Office of Legislative Oversight findings, organized into four areas:

- Defining and Evaluating Local Economic Development Programs
- Overview of the Department of Economic Development's Budget and Programs
- The County's Economic Development Strategic Plans: 2004 and 2008
- State and Local Economic Development Strategies

DEFINING AND EVALUATING LOCAL ECONOMIC DEVELOPMENT PROGRAMS

Finding #1: State and local governments classify a broad range of policies and programs as "economic development programs."

There is no universal definition of an economic development program. Across the country, numerous public and private entities sponsor programs and projects aimed to create jobs, retain jobs, grow the tax base, and/or improve the quality of community life. Economic development organizations perform many types of activities and services, including: marketing and promotion; grants, loans, and other forms of financial assistance; training and mentoring; and information sharing.

Sponsors of economic development activities at the local level include: County and city governments; Chambers of Commerce; non-profit organizations; coalitions of regional governments; and community colleges and universities. In any given locality, these groups might work together on economic development projects or might compete with one another.

Finding #2: Most economic development programs aim to increase the number of jobs and expand the tax base by: attracting new investment; growing local businesses; and/or retaining existing jobs.

Local government economic development programs and policies typically share two common goals: (1) increase the number of local jobs; and (2) expand the local tax base. The research literature identifies three general economic development strategies:

Importing growth strategies focus on attracting investment from outside the region. This category is sometimes referred to as "exogenous" growth.

Growing from within strategies focus on nurturing the growth of businesses already based in a locality. This category is sometimes referred to as "endogenous" growth.

Retaining existing jobs/businesses strategies focus on counteracting economic forces that threaten the viability of local businesses.

Finding #3: Little empirical data exists on the efficacy of state and local economic development programs.

Ideally, a program evaluation measures results and informs policymakers how the outcome of the program would change depending on the scope, scale, design, or management of the program. However, when evaluating a program designed to increase jobs and grow the tax base, it is difficult to distinguish between a change caused by the economic development program itself versus change caused by external factors, such as business cycles, tax policies, or natural firm growth.¹

Reports on the effectiveness or “success” of economic development programs often include data on program activities or local economic conditions. The evaluation research warns, however, that these data alone do not necessarily “tell us the impacts of the program or related policies on outcomes.”² Evaluations of economic development programs that tout the number of jobs created by businesses in the program can “erroneously assume that none of the economic activity would have occurred ‘but for’ the program assistance.”³

The research literature contains few examples of rigorous outcome evaluations of state and local government economic development programs. Measuring an economic development program’s effectiveness requires establishing a cause and effect relationship between the program and outcomes. Few groups undertake this type of evaluation because it is both analytically difficult to design and because the evaluation cost is often perceived as outweighing its benefits. Further, in some situations, political interests further discourage a review that might reveal negative results.

¹ See Timothy Bartik and Richard Bingham, *Can Economic Development Programs be Evaluated?*, Upjohn Institute Staff Working Paper 95-29, at p. 4 (1995).

² *Evaluating the Impacts of Local Economic Development Policies on Local Economic Outcomes* at p. 8.

³ *Ibid.* at p. 7.

OVERVIEW OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT'S BUDGET AND PROGRAMS

Finding #4: In FY09, DED manages about \$14.1 million of resources approved in the operating budget and \$5.7 million approved in the capital budget.

In FY09, the Department of Economic Development manages a total of \$19.8 million in resources. This includes items funded in the operating and capital budgets as follows:

- DED's approved FY09 departmental budget is \$10.5 million.⁴ Of this amount, 76% is funded by County revenue. The other 24% is funded by state and federal grants, most of which the County receives for workforce development activities.
- DED manages \$3.6 million in other approved operating budget items, including the Economic Development Fund, the Conference Center Non-Departmental Account (NDA), the Conference and Visitor's Bureau NDA, and three grants funded in the Community Grants NDA.
- DED also manages five projects funded in the approved Capital Improvements Program (CIP) with planned expenditures of \$5.7 million in FY09.

Of the \$19.8 million managed by DED, 28% consists of personnel expenses for 50.2 workyears in the Department of Economic Development. The other 72% supports a wide range of operating and capital project costs, including \$4.5 million in contracts. In FY09, federal/state grants for workforce development services provide 56% of the funding for DED's contracts.

The Department of Economic Development routinely works with numerous other County Government departments and other County agencies whose responsibilities include managing programs, projects, and activities that contribute to the County's economic development. Appendix A provides highlights of some of these other locally-funded "economic development" programs and services provided by entities other than DED.

⁴ This total represents DED's FY09 budget approved by the Council in May 2008. In November 2008, as a result of the FY09 Savings Plan, DED's planned spending for FY09 was reduced by \$183K. The Department is achieving this savings by not filling a number of vacant positions.

Finding #5: In addition to funds appropriated directly in the operating and capital budgets, the County “spends” local dollars on economic development by offering four tax credits.

The County has the following four tax credits that DED staff use as incentives for qualifying businesses to locate or expand in Montgomery County:

- New Jobs Tax Credit;
- Enhanced New Jobs Tax Credit;
- Enterprise Zone Tax Credit; and
- Arts and Entertainment District Tax Credit.

For each of these tax credits, State enabling legislation accompanied by County action (either in the form of a law, Council resolution, or application to the State) implements the tax credit for eligible businesses located in the County. The Enterprise Zone Tax Credit was first authorized in 1985; the New Jobs Tax Credit in 1998; and the Arts and Entertainment District credit in 2002.

By offering these tax credits, the County foregoes the collection of some property tax revenue that otherwise would have gone to the General Fund. As shown in the table below, the total tax credit amount that businesses received in FY09 for the four tax credits is about \$3.4 million. Appendix F lists the FY09 tax credit recipients and amounts of credits received.

**County’s Economic Development Tax Credits
FY09 Tax Credit Amounts
(\$ in 000s)**

Tax Credit	FY09
New Jobs Tax Credit	326
Enhanced New Jobs Tax Credit	1,114
Enterprise Zone Tax Credit	1,954
Arts & Entertainment District Tax Credit	4
Total	\$3,398

Source: DED and Department of Finance, updated January 2009

The annual report on the Economic Development Fund contains data on the total tax expenditures associated with each of these credits. However, in the course of worksessions on the operating budget, the Council does not routinely review more detailed information about the administration, use, and/or impact of these tax credits.

Finding #6: DED is organized into a Director's Office and five program Divisions. The majority of DED staff is involved in activities aimed at attracting new businesses or retaining/growing existing businesses.

The table below summarizes the FY09 operating and capital budget funding for the Director's office and five program divisions.

**FY09 Department of Economic Development Budget by Division:
Operating and Capital Budget Appropriations
(\$ in 000s)**

Office/Division	Total	Funds appropriated in:			
		DED Operating Budget	Economic Development Fund	Non-Dept. Account	Capital Budget
Director's Office	4,343	668	0	0	3,675
Finance, Admin, and Special Projects	4,752	2,233	1,952	567	0
Marketing and Business Development	2,406	1,686	0	720	0
Business Empowerment	1,593	1,339	0	255	0
Agricultural Services*	3,007	1,003	0	0	2,003
Workforce Services**	3,667	3,607	0	60	0
Total	\$19,769	\$10,536	\$1,952	\$1,603	\$5,678

Source: Approved FY09 Operating Budget, Approved FY09-14 CIP, and DED

The Director's Office (4.4 workyears) provides strategic planning for the Department, staffs a number of committees and task forces, establishes partnerships with federal/state agencies, institutions of higher education, and industry groups, and pursues special initiatives. The Director's Office staff also administers several major capital budget projects.

The Division of Finance, Administration, and Special Projects (9.0 workyears) performs the procurement and budget functions for the Department, and manages the finances for the Economic Development Fund and the Business Innovation Network (the County's incubator program). The Division also oversees the County's management agreement with Marriott International, Inc. to operate the Conference Center.

The Division of Marketing and Business Development (10.0 workyears) promotes the County as a place to do business through a range of marketing, outreach, networking, and education activities. The Division manages eight contracts, including the County's contract with the Conference and Visitor's Bureau, the Technology Council of Maryland, the Maryland/Israel Development Center, and the World Trade Center Institute.

The Division of Business Empowerment (11.0 workyears) focuses on supporting small and minority-owned businesses, federal laboratories, and non-profit organizations. About half of the Division's staff is assigned to staffing the Business Innovation Network. The Division also manages contracts with the Latino Economic Development Corporation and the Small Business Development Corporation.

The Division of Agricultural Services (9.8 workyears) promotes and supports agriculture in the County. Division staff are divided between the Agricultural Services Team and two separate agencies, the Montgomery Soil Conservation District and Montgomery Cooperative Extension. Division staff also manage the County's Agricultural Land Preservation CIP project, which in FY09 accounts for about two-thirds of the \$3 million that funds this Division.

The Division of Workforce Services (6.0 workyears) provides career services to adults, dislocated workers, and youth in the County and helps businesses recruit employees. Most of the work of the Workforce Services Division is contracted to outside organizations, and two-thirds of the Division's work is funded by \$2.5 million federal/state grants. The Division's largest contract funds the Montgomery Works program (\$2.6 million).

Finding #7: The two largest DED programs funded by General Fund revenue are the Business Innovation Network and the Economic Development Fund.

The Business Innovation Network (the County's incubator program) serves emerging advanced technology, life sciences, and/or professional services companies. The program provides office space at or below market rent for start-up businesses, which also receive support services, educational resources, priority access to financial assistance, and networking opportunities.

DED operates five incubators in the County, which are located in Shady Grove, Silver Spring, Wheaton, Rockville, and Germantown. The County plans to build a sixth incubator in the Fairland/White Oak area. The FY09 program costs total about \$2 million; this includes \$640K to fund six DED staff, and \$1.3 million for operating expenses and debt service.

The Maryland Economic Development Corporation (MEDCO) co-financed and currently co-owns two of the incubators and uses tenant rent to service their debt.⁵ Once this debt is paid off, the County will assume full ownership of these incubators. Appendix B contains more details on the operations and overall costs of the incubators.

The Economic Development Fund, established by County law, provides financial assistance to private businesses. The Fund's revenue sources are the County's general fund, loan repayments, investment income, and state grants. In FY09, loan repayments are expected to account for about 25% of the Fund's revenues. The County has provided nearly \$28 million in assistance to County businesses since the Fund was established in FY96.

⁵ MEDCO manages some of the operations of the incubator facilities such as maintenance and collecting tenant rent.

In FY09, DED plans to expend about \$2 million through the Fund's five programs. FY09 expenses from the EDF include \$122K for one DED staff member who performs the Fund's administrative functions. The balance will be spent from the five active programs, with the largest amounts in the Economic Development Grant/Loan Program (\$622K) and the Small Business Revolving Loan Program (\$608K). The table below summarizes the program activity in the five active EDF programs.

Summary of Economic Development Fund Program Information

EDF Program	Years Active	Total Assistance Provided	Total Businesses Assisted	Average Award Amount	Range of Award Amount	
					Low	High
Grant and Loan Program	13 years	\$22.8 million	143	\$159,440	\$3,000	\$6 million
Technology Growth Program	9 years	\$3.3 million	56	\$58,214	\$25,000	\$100,000
Small Business Revolving Loan Program	8 years	\$1.5 million	23	\$63,826	\$5,000	\$130,000
Impact Assistance Program	3 years	\$282,000	19	\$14,842	\$2,800	\$63,100
Micro-Enterprise Program	1 year	\$15,000	1	--	--	--

Source: *Montgomery County Economic Development Fund Annual Report*; Department of Economic Development; March 15, 2008. All data as of February 2008.

Finding #8: Additional DED efforts to attract, grow, and retain businesses include an array of marketing, networking, and business education activities.

Using a blend of in-house staff and contracts, DED is engaged in numerous marketing, networking, and business education activities, which are designed to attract new businesses and retain/grow existing businesses. Examples of activities staffed by DED staff are: event sponsorships; participation in conferences and trade shows; trade missions to other countries; and various business task forces and committees.

DED also enters into contracts with outside organizations such as the Latino Economic Development Corporation (\$255K); the Small Business Development Corporation (\$50K); and the Tech Council of Maryland (\$25K) for a range of networking, outreach, and business support/education tasks. Some of these contracts are competitively bid; others are designated as non-competitive awards.

Finding #9: DED manages more than \$1.2 million appropriated in two non-departmental accounts for the Conference Center and the Conference & Visitor's Bureau.

The Conference Center. DED staff manage the County's agreement with Marriott International to operate the Conference Center. The County and State of Maryland jointly financed the Center's construction, at a cost of \$40 million. The Conference Center was constructed as a profit-making enterprise expected to contribute revenues to the County General Fund.

The FY09 appropriation for the Conference Center NDA is \$567K; this includes \$454K in operating costs and \$113K in personnel costs for one DED staff member. When the FY09 budget was approved, the County had projected a collection of \$1.7 million in revenue from the Conference Center, for a net "profit" of about \$1.2 million. In January 2009, DED indicated that, due to deteriorated economic conditions, the actual net revenue received is likely to be less.

Conference and Visitor's Bureau (CVB). DED also manages a \$695K contract with the CVB to promote tourism in Montgomery County. The CVB has an administrative office co-located with DED and a Visitor Information Center in Germantown.

County law requires that at least 3.5% of the revenue from the County's hotel/motel tax be used for the CVB "to promote travel to the County."⁶ County funding is the CVB's primary source of revenue, but it also receives funds from the Maryland Office of Tourism Development Grant, membership dues, and other private sources. In FY09, the expected revenue from these other sources is \$207K, for a total budget of \$902K.

Finding #10: The Division of Workforce Services receives 69% of its funding from federal/state grants; much of the Division's work is contracted out.

The Division of Workforce Services provides career services to adults and youth in the County and helps businesses recruit employees. The Division's FY09 budget is \$3.6 million; 69% (\$2.5 million) of the Division's funding comes from federal/state grants, and 31% (\$1.1 million) is funded by local dollars.

The federal Workforce Investment Act of 1998 (Public Law 105-220) establishes the primary source of funding for the Division's activities and mandates many of the services that the Division provides (see Appendix D for more detail on the Workforce Investment Act). In contrast to the other DED Divisions, most of the work of Workforce Services is contracted out; the Division's County staff (6.0 WYs) are responsible for fiscal monitoring and accounting, program monitoring, and contract management. In addition, Division staff identify and apply for potential grants and work on improvements and additions to programming.

⁶ County Code § 52-16(1). Each year, the Department of Finance projects the revenue that will be generated by the hotel/motel tax before the start of the fiscal year and appropriates 3.5% to the CVB. If the actual revenue is greater than projected, the Council approves a supplemental appropriation.

Finding #11: The Division of Agricultural Services is responsible for programs that support the County's farmers and preserve agricultural land.

The Division of Agricultural Services consists of 9.8 workyears, or approximately 20% of DED's staff. In FY09, the Division's funding includes \$1.0 million from DED's operating budget and \$2.0 million from the Agricultural Land Preservation Easement CIP project. The funding for this CIP project comes from the County's portion of the State Agricultural Transfer tax, collections of which have declined substantially in recent months due to current economic conditions.

In addition to managing the Agricultural Land Preservation Easement project, the Division provides staff support for two separate State-authorized agencies – the Soil Conservation District and the Cooperative Extension – which are co-located with the Division. Other Division activities include: agricultural marketing and promotion, weed control, and deer management. In the years when the County has allocated funds for drought assistance to County farmers, this Division managed the drought relief program.

Finding #12: DED administers five projects funded in the current CIP, including projects for the County's technology parks, incubators, a music venue in Silver Spring, and agricultural land preservation easements.

DED administers five projects funded in the approved FY09-FY14 Capital Improvements Program (CIP): Life Sciences and Technology Centers; the Germantown Business Incubator; Music Venue in Silver Spring (Live Nation); Agricultural Land Preservation Easement; and Adventist Health Care. In sum:

- Past County expenditures for these projects total \$23 million. FY09 expenditures total \$5.7 million, with an additional \$7.5 million scheduled for FY10-FY14.
- State funding for the CIP projects managed by DED has totaled \$2.75 million; an additional \$4 million in State aid for these projects is scheduled for FY10-FY14.

In addition to the above projects, DED is exploring the feasibility of building a multi-use sports arena. The proposed arena would accommodate 8,000-10,000 seats, and be a potential venue for sporting events, graduations, and entertainment. In FY09, DED contracted with the Maryland Stadium Authority to produce an arena economic feasibility study. This year, the Department is moving forward with a follow-up market feasibility study.⁷

⁷ Last summer, the Council turned down the Department's request for an additional \$150K for the market feasibility study. As a result, DED has reallocated other department operating funds to pay for it.

ECONOMIC DEVELOPMENT STRATEGIC PLANS: 2004 AND 2008

Finding #13: The recently completed economic development strategic plan takes a different approach from the one approved by the Council in 2004.

In December 2008, the County Executive transmitted to the Council *A Vision for Economic Development in Montgomery County*. This document is different from the strategic plan approved by the Council in 2004, which was titled, *Montgomery County: The IDEALocation, Strategic Plan for our Community's Quality of Life and Economic Development*. Specifically:

- The *Vision* focuses on the programs and projects that involve the Department of Economic Development. In comparison, the 2004 Strategic Plan defined economic development more broadly, to include the County's transportation infrastructure, housing supply, and general quality of life.
- The *Vision* is a 15-page document, written during 2008 by DED staff in consultation with a group of five business representatives. In comparison, the 2004 Strategic Plan was a 50-page document, written over a three-year period by DED and the Economic Advisory Council, a 30-member advisory body appointed by the County Executive.
- County Executive Leggett's transmittal of the *Vision for Economic Development* to the Council in December 2008 did not include a specific request for Council action on the document. In comparison, five years ago, County Executive Duncan's transmittal of the 2004 Strategic Plan included an explicit request for the Council to "adopt this Plan as the official economic development strategy for our community." At that time, the Council held a public hearing and multiple worksessions on the Plan, proposed amendments, and eventually took a formal vote to adopt it.

Finding #14: The *Vision* sets forth DED's goals and recommends specific action items for each goal. However, as currently written, the document is of only minimal use to the Council as a tool for fiscal decision making.

The 2008 *Vision for Economic Development* focuses on the activities initiated and managed by the Department of Economic Development. It articulates that the County Executive's vision for Montgomery County is a "globally competitive and highly diversified knowledge-based economy that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities."⁸

To carry out this vision, the County's Department of Economic Development sets forth four goals and recommends specific action items for each goal. Appendix I contains a copy of the *Vision* in its entirety.

⁸ *A Vision for Economic Development in Montgomery County*, December 2008, Page 2.

While the *Vision* serves as a useful articulation of DED's goals and recommended action items, as currently written, the document is of only minimal use to the Council as a fiscal decision-making tool. In particular, the *Vision* does not:

- Provide information on the costs of specific action items;
- Indicate which action items can be accomplished within existing resources;
- Distinguish between action items that are currently part of the DED work program and which would be new initiatives; or
- Establish funding priorities among the dozens of action items listed.

DED staff explain that their intent was to prepare the *Vision* as a long-term planning document; and that information related to priorities and the fiscal impact of specific items will be prepared on an annual basis in conjunction with the Department's operating and capital budgets.

Finding #15: In 2008, DED, working with CountyStat, created a list of performance measures as a way to assess the overall strength of its economic development strategy and outcomes using quantifiable data.

The 2008 *Vision for Economic Development* incorporates a list of eight headline measures and 18 sub-measures that constitute the Department of Economic Development's CountyStat performance plan. The *Vision* states that, "The County will use quantifiable measures to assess the overall strength of its economic development strategy, as well as outcomes."

The eight headline measures are grouped under two general strategies: Business Attraction, Retention, & Expansion Efforts; and Business Innovation Network. The 18 sub-measures correspond to six other strategies: Financing Programs; Capital Project Investments; Marketing Programs; Global Linkages; Workforce Services; and Agricultural Services.

Most of the headline measures are designed to report outcomes, such as jobs created, capital invested, and office space occupied. Many of the sub-measures capture program activity and output data, e.g., numbers of loans completed, grants provided. Other sub-measures report outcomes, e.g., jobs created, job placements, and still others measure leverage or efficiency, e.g., amount of new foreign investments per County dollar invested.

While DED's measures will provide a useful repository of data and valuable information about DED activity, they also illustrate some of the inherent difficulties found with measuring economic development outcomes. Most importantly, while DED's headline measures propose to identify outcomes such as numbers of "new" jobs attracted, jobs created, or jobs retained; it is unlikely that the Department will be able to determine reliably whether these job changes are a direct result of DED's efforts or whether they are due to other external forces and would have occurred without a public subsidy from County taxpayers.

STATE AND LOCAL ECONOMIC DEVELOPMENT STRATEGIES

The final five findings are based on OLO's research to identify emerging and innovative state and local government economic development strategies. As explained in Chapter VI, OLO found an ample supply of economic development programs that won blue ribbon awards from credible organizations, such as the International Economic Development Council and the National Association of Counties. However, an important caveat to the comparative information presented is that OLO found little hard empirical evidence to demonstrate the efficacy of these programs, including those that are heralded as innovative and award-winning.

Finding #16: Economic development organizations are increasingly using the Internet to provide services to the business community.

Many state and local economic development organizations provide searchable market and demographic data on-line. In addition, several communities provide on-line resource locators that offer direct links to government, financial, business, educational, workforce development, and real estate organizations that offer services to growing companies. For example,

- KCSOURCELINK, a business service network in the Kansas City region, provides direct on-line links to organizations that assist small businesses with business plan development, marketing, web site development, legal and tax services, and office space acquisition program (see Chapter VI, Case Study #7).
- Some communities have developed on-line site selection tools that allow users to search for available land and buildings and to access detailed data about specific properties. The website of Milwaukee 7, an economic development partnership in Wisconsin, features an interactive map which allows users to search available land and buildings and to view aerial satellite images, street-level photos, listings of nearby businesses, and data for specific properties (see Chapter VI, Case Study #3).

Finding #17: Another trend is collaborative strategies involving multi-jurisdictional programming and public-private partnerships.

In many communities around the country, economic development is increasingly becoming a collaborative effort between the government economic development office and other entities.

- Several metropolitan areas have created economic development organizations that cooperatively market the region as an attractive location for business investment. For example, "Select Greater Philadelphia" is a regional marketing organization that promotes corporate expansions and relocations in 11 counties (see Chapter VI, Case Study #2).
- Many governments team with local business leaders to establish local economic development goals and policies. For example, a private sector-led group known as the "International Trade Advisory Council" provides guidance to the San Bernardino County (California) Economic Development Agency on how to build overseas business connections program (see Chapter VI, Case Study #4).

Finding # 18: A number of jurisdictions use economic development incentives to advance other public policy objectives.

A few communities use economic development incentives to advance other community policies. For example:

- To be eligible for certain business tax and fee rebates in Boulder Colorado, a business must demonstrate that it meets “community sustainability” standards including those related to minimum wage requirements, worker health insurance, commuter trip reduction, and recycling program (see Chapter VI, Case Study #14).
- The Skillworks partnership in Boston directs philanthropic dollars to assist low-skill workers in stagnant, low-wage jobs advance into careers with advancement opportunity and family-supporting wages (see Chapter VI, Case Study #17).

Finding #19: A growing number of jurisdictions target economic development programs toward specific industries, job types, or populations.

Particularly during times of fiscal constraints, many state and local governments are pursuing economic development strategies targeted at specific industries, job types, or populations. Rather than funding general business investment or workforce development programs, these communities tailor their activities to retain, grow, or attract specific types of industries and to train residents in the skill sets needed to be employed in those industries. In addition, some communities have created workforce development programs targeted to certain disadvantaged populations. For example:

- About five years ago, Workforce Development, Inc. (WDI), based in Southeastern Minnesota, reviewed its programs and found that it provided training for jobs the community did not need. WDI conducted a labor market analysis to identify jobs in greatest demand in the region. Based on the results of this analysis, WDI reallocated its resources to provide training for jobs in four industry sectors with the greatest employer demand program (see Chapter VI, Case Study #8).
- The Bilingual Health Care Career Pathways Partnership trains members of the Chicago Latino community to supply local health care providers with bilingual health care professionals. The program targets its technical training and support services toward helping Latinos with low literacy levels or low English proficiency (see Chapter VI, Case Study #16).

Finding #20: Some jurisdictions have begun to reevaluate the return on investment of their economic development activities.

Recently, some jurisdictions have begun to reevaluate their investment in economic development activities. Elected officials in these jurisdictions have questioned whether their community has received sufficient benefit from the use of public funds for certain economic development programs. For example:

- In December 2008, the Governor of New York tightened eligibility and accountability standards for a well-established business incentive program (see Chapter VI, Case Study #18).
- In 2004, the City of Concord, California, discontinued its business incubator program after the City's Redevelopment Agency received a report concluding that the incubator "was never able to develop a sustainable economic model" program (see Chapter VI, Case Study #19).
- The City of Lowell, Massachusetts, currently is reassessing its business plan for a publicly-funded arena that has run a deficit each year since it opened in 1998 program (see Chapter VI, Case Study #20).

CHAPTER VIII: OFFICE OF LEGISLATIVE OVERSIGHT'S RECOMMENDATIONS

This chapter outlines the Office of Legislative Oversight's five recommendations for Council action. OLO's recommendations are based on: an examination of the Department of Economic Development's budget and strategic plans; research on evaluating economic development programs; and a comparative review of economic development strategies used in other communities.

As a package, OLO's recommendations are intended to: enhance the Council's oversight of the County's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development.

Recommendation #1: In making funding decisions, act with knowledge that outcomes of economic development programs are difficult to predict and measure.

State and local governments often cite measures such as the number of jobs created or an increase in tax revenue as the outcomes of economic development programs. However, it is analytically difficult to design evaluations that can reliably distinguish between a desired change (e.g., job growth, tax base expansion) caused by a specific economic development program versus a change caused by external factors, such as business cycles, tax policies, and/or natural firm growth. Further, significant changes in the economic health of any jurisdiction will almost always be due to economic factors that are beyond the control of local government.

In presenting the Council with justification for new economic development initiatives, the Department of Economic Development routinely projects program costs and identifies desired outcomes. OLO is not suggesting that the Council disregard the information provided. Quite the opposite, OLO recommends the Council continue to insist on measures of program costs, descriptions of staff effort, and anticipated results.

However, when presented with these data, OLO recommends that the Council consistently ask for the details behind the analysis, including all assumptions. And when making final funding decisions related to economic development programs, the Council should remember that it is unlikely to receive proof positive that a desired result, such as job creation or tax base expansion, occurred solely because of County Government activities or investment.

Recommendation #2: Ask the County Executive for a companion document to the *Vision for Economic Development* that provides the costs of the recommended action items and places them in priority order.

The *Vision for Economic Development in Montgomery County* transmitted from the County Executive to the County Council in December 2008 lists four goals and presents dozens of recommended action items. While recognizing that definitive outcomes of economic development programs are tough to measure, the County still faces the task of deciding how to spend finite economic development resources. Particularly in tight fiscal times, the County must direct funding toward programs that are identified and defended as the "higher priority" items.

A strategic plan is most useful to the Council when it helps sort out these priorities and links them to budgetary decisions. To enhance the value of the *Vision for Economic Development* as a tool for the Council's fiscal decision-making, OLO recommends that the County Council ask the County Executive to prepare a companion document that:

- Provides cost data on the action items, including estimates of future year fiscal impacts;
- Distinguishes between action items that are currently part of the Department of Economic Development's work program and those being recommended as new initiatives;
- Clearly indicates which action items could be accomplished within DED's current allocation of resources and which require new funding; and
- Places the goals and specific action items in order of funding priority, with an explanation to the Council on the criteria used for establishing the priority order.

OLO's recommendation for preparation of this companion document aligns with DED's staff's explanation that the *Vision* was prepared as a long-term planning document; and that the Department plans to develop cost estimates for implementation of specific action items in conjunction with the preparation of DED's annual operating and capital budget requests.

Recommendation #3: To prepare for FY10 budget worksessions, identify specific DED programs for closer scrutiny.

Priority setting for the County's economic development agenda should be a collaborative process with the Executive that extends beyond the upcoming budget season. In the coming months, both the Council and Executive will be compelled to make difficult choices as the County establishes spending priorities for the FY10 budget. Undoubtedly, there will be keen interest in trying to stimulate the local economy during a period of severe budget constraints.

To prepare for the FY10 budget review, OLO recommends that the Council, in consultation with Executive staff, identify specific DED programs/activities that it wishes to examine in greater detail with an eye toward potential spending level adjustments. Assuming that there is interest in focusing attention on the largest portions of the DED budget funded with County revenue, OLO recommends the Council pursue a more detailed review of the total costs, outputs, and results (to the extent available) associated with:

- The Business Innovation Network (the business incubator program);
- The Economic Development Fund;
- The various DED contracts (competitive and non-competitive) funded by local revenue; and
- DED's outreach and marketing activities such as event sponsorships, participation in conferences and trade shows, and overseas trade missions.

Asking questions and requesting further analysis on these (and/or other) items during the February/March time frame will better position the Council for decision-making in April and May.

Recommendation #4: Request a follow-up report on the history, current use, and administration of the County's economic development tax credits.

The County has four tax credits that are used as incentives for qualifying businesses to locate or expand in Montgomery County: Enterprise Zone Tax Credit; New Jobs Tax Credit; Enhanced New Jobs Tax Credit; and Arts and Entertainment District Tax Credit.

For each of these tax credits, State enabling legislation accompanied by County action (either in the form of a law, Council resolution, or application to the State) implements the tax credit for eligible businesses located in the County. The Enterprise Zone Tax Credit was first authorized in 1985; the New Jobs Tax Credits in 1998; and the Arts and Entertainment District credit in 2002.

For FY08, the value of these tax credits totaled about \$3.4 million. Given the Council's commitment to examining all expenditures during the FY10 budget season, OLO recommends the Council ask for a report on the history, current use, and administration of these tax credits.

It may well be that having more detailed information about these tax credits will affirm the Council's support of the laws and related actions that approve their availability in the County. The point is to increase the attention paid to these tax credits, and to encourage an ongoing practice of examining tax expenditures alongside other programs as the Council makes decisions about the allocation of limited economic development dollars.

Recommendation #5: Explore opportunities for increased Internet use, collaboration with outside partners, and more directed targeting of economic development program dollars.

Based on a compilation of comparative information about economic development programs, OLO identified three emerging themes in state and local practices. The goal of each of these practices is to maximize the value received from spending on economic development programs:

Use of the Internet: Communities are making increasing use of the Internet, to make economic development services (such as site selection tools, market and demographic data, and resource locators) readily available to businesses and entrepreneurs.

Collaboration: Many communities are adopting collaborative strategies involving: joint multi-jurisdictional programming; greater coordination with the private sector.

Targeted Programming: A growing number of jurisdictions target economic development programs toward specific industries, job types, or populations.

To some degree, DED already engages in each of these practices. For example, the County's web site has some business resource links; DED collaborated with the Federal Government to develop "FedTechNet," a network connecting local businesses with Federal laboratories; and DED has targeted much of its business development activities toward the biotechnology sector. Nonetheless, OLO recommends that the Council use its budget oversight role to discuss further opportunities for the Department to create efficiencies in economic development spending through increased use of the Internet, collaboration, and targeted programming.

CHAPTER VIII: OFFICE OF LEGISLATIVE OVERSIGHT'S RECOMMENDATIONS

This chapter outlines the Office of Legislative Oversight's five recommendations for Council action. OLO's recommendations are based on: an examination of the Department of Economic Development's budget and strategic plans; research on evaluating economic development programs; and a comparative review of economic development strategies used in other communities.

As a package, OLO's recommendations are intended to: enhance the Council's oversight of the County's economic development expenditures, and assist the Council to establish future funding priorities for the Department of Economic Development.

Recommendation #1: In making funding decisions, act with knowledge that outcomes of economic development programs are difficult to predict and measure.

State and local governments often cite measures such as the number of jobs created or an increase in tax revenue as the outcomes of economic development programs. However, it is analytically difficult to design evaluations that can reliably distinguish between a desired change (e.g., job growth, tax base expansion) caused by a specific economic development program versus a change caused by external factors, such as business cycles, tax policies, and/or natural firm growth. Further, significant changes in the economic health of any jurisdiction will almost always be due to economic factors that are beyond the control of local government.

In presenting the Council with justification for new economic development initiatives, the Department of Economic Development routinely projects program costs and identifies desired outcomes. OLO is not suggesting that the Council disregard the information provided. Quite the opposite, OLO recommends the Council continue to insist on measures of program costs, descriptions of staff effort, and anticipated results.

However, when presented with these data, OLO recommends that the Council consistently ask for the details behind the analysis, including all assumptions. And when making final funding decisions related to economic development programs, the Council should remember that it is unlikely to receive proof positive that a desired result, such as job creation or tax base expansion, occurred solely because of County Government activities or investment.

Recommendation #2: Ask the County Executive for a companion document to the *Vision for Economic Development* that provides the costs of the recommended action items and places them in priority order.

The *Vision for Economic Development in Montgomery County* transmitted from the County Executive to the County Council in December 2008 lists four goals and presents dozens of recommended action items. While recognizing that definitive outcomes of economic development programs are tough to measure, the County still faces the task of deciding how to spend finite economic development resources. Particularly in tight fiscal times, the County must direct funding toward programs that are identified and defended as the "higher priority" items.

A strategic plan is most useful to the Council when it helps sort out these priorities and links them to budgetary decisions. To enhance the value of the *Vision for Economic Development* as a tool for the Council's fiscal decision-making, OLO recommends that the County Council ask the County Executive to prepare a companion document that:

- Provides cost data on the action items, including estimates of future year fiscal impacts;
- Distinguishes between action items that are currently part of the Department of Economic Development's work program and those being recommended as new initiatives;
- Clearly indicates which action items could be accomplished within DED's current allocation of resources and which require new funding; and
- Places the goals and specific action items in order of funding priority, with an explanation to the Council on the criteria used for establishing the priority order.

OLO's recommendation for preparation of this companion document aligns with DED's staff's explanation that the *Vision* was prepared as a long-term planning document; and that the Department plans to develop cost estimates for implementation of specific action items in conjunction with the preparation of DED's annual operating and capital budget requests.

Recommendation #3: To prepare for FY10 budget worksessions, identify specific DED programs for closer scrutiny.

Priority setting for the County's economic development agenda should be a collaborative process with the Executive that extends beyond the upcoming budget season. In the coming months, both the Council and Executive will be compelled to make difficult choices as the County establishes spending priorities for the FY10 budget. Undoubtedly, there will be keen interest in trying to stimulate the local economy during a period of severe budget constraints.

To prepare for the FY10 budget review, OLO recommends that the Council, in consultation with Executive staff, identify specific DED programs/activities that it wishes to examine in greater detail with an eye toward potential spending level adjustments. Assuming that there is interest in focusing attention on the largest portions of the DED budget funded with County revenue, OLO recommends the Council pursue a more detailed review of the total costs, outputs, and results (to the extent available) associated with:

- The Business Innovation Network (the business incubator program);
- The Economic Development Fund;
- The various DED contracts (competitive and non-competitive) funded by local revenue; and
- DED's outreach and marketing activities such as event sponsorships, participation in conferences and trade shows, and overseas trade missions.

Asking questions and requesting further analysis on these (and/or other) items during the February/March time frame will better position the Council for decision-making in April and May.

Recommendation #4: Request a follow-up report on the history, current use, and administration of the County's economic development tax credits.

The County has four tax credits that are used as incentives for qualifying businesses to locate or expand in Montgomery County: Enterprise Zone Tax Credit; New Jobs Tax Credit; Enhanced New Jobs Tax Credit; and Arts and Entertainment District Tax Credit.

For each of these tax credits, State enabling legislation accompanied by County action (either in the form of a law, Council resolution, or application to the State) implements the tax credit for eligible businesses located in the County. The Enterprise Zone Tax Credit was first authorized in 1985; the New Jobs Tax Credits in 1998; and the Arts and Entertainment District credit in 2002.

For FY08, the value of these tax credits totaled about \$3.4 million. Given the Council's commitment to examining all expenditures during the FY10 budget season, OLO recommends the Council ask for a report on the history, current use, and administration of these tax credits.

It may well be that having more detailed information about these tax credits will affirm the Council's support of the laws and related actions that approve their availability in the County. The point is to increase the attention paid to these tax credits, and to encourage an ongoing practice of examining tax expenditures alongside other programs as the Council makes decisions about the allocation of limited economic development dollars.

Recommendation #5: Explore opportunities for increased Internet use, collaboration with outside partners, and more directed targeting of economic development program dollars.

Based on a compilation of comparative information about economic development programs, OLO identified three emerging themes in state and local practices. The goal of each of these practices is to maximize the value received from spending on economic development programs:

Use of the Internet: Communities are making increasing use of the Internet, to make economic development services (such as site selection tools, market and demographic data, and resource locators) readily available to businesses and entrepreneurs.

Collaboration: Many communities are adopting collaborative strategies involving: joint multi-jurisdictional programming; greater coordination with the private sector.

Targeted Programming: A growing number of jurisdictions target economic development programs toward specific industries, job types, or populations.

To some degree, DED already engages in each of these practices. For example, the County's web site has some business resource links; DED collaborated with the Federal Government to develop "FedTechNet," a network connecting local businesses with Federal laboratories; and DED has targeted much of its business development activities toward the biotechnology sector. Nonetheless, OLO recommends that the Council use its budget oversight role to discuss further opportunities for the Department to create efficiencies in economic development spending through increased use of the Internet, collaboration, and targeted programming.

CHAPTER IX. EXECUTIVE BRANCH COMMENTS

The Office of Legislative Oversight circulated a final draft of this report to the Chief Administrative Officer, with copies to the Director, Department of Economic Development, the Director, Department of Finance, and the Director, Office of Management and Budget. OLO greatly appreciates the time taken by Executive Branch staff to review the draft report and provide comments. OLO's final report incorporates technical corrections received during the review period.

The written comments from Mr. Firestine, the Chief Administrative Officer of Montgomery County, are included in their entirety, beginning on the following page.



OFFICES OF THE COUNTY EXECUTIVE


Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

M E M O R A N D U M

January 27, 2009

TO: Karen Orlansky, Director
Office of Legislative Oversight

FROM: Timothy L. Firestine 
Chief Administrative Officer

SUBJECT: Office of Legislative Oversight's Draft Report on the Department of Economic Development's Budget and Strategies

I want to thank the Office of Legislative Oversight (OLO) for its comprehensive and objective review of the strategies, programs and budget of the County's Department of Economic Development (DED). The activities of our economic development department are quite diverse, and their contributions significant, relative to those of other economic development agencies. OLO did an exemplary job of synthesizing the broad array of programs and projects managed by DED.

Our economic development staff worked closely with OLO to ensure the accuracy of this report, and, overall, we concur with its findings and recommendations. Continuing in this spirit of cooperation, DED will be pleased to work with the Council during its FY10 budget worksessions in an effort to further analyze specific DED programs. DED also welcomes a review of the history, current use and administration of the County's four economic development tax credits, as recommended by OLO.

As the report points out, DED should continuously be identifying best practices in economic development. Along these lines, and recognizing the vital nature of the Internet in conveying our marketing message, I recently asked DED and the Department of Technology Services to develop a strategy to improve DED's web presence and marketing capabilities. We view this task a priority for the coming year, and one that will produce long-term benefits.

County Executive Leggett recently transmitted to Council his *Vision for Economic Development*. The OLO report describes this document thoroughly and compares it to the written economic development strategy finalized in 2004, with particular emphasis on the role of Council in reviewing the documents.

As the OLO report notes, the 2004 economic development strategy was an all-encompassing document that addressed such issues as transportation infrastructure, affordable housing, arts and culture, quality of life, and of course, business development. Given its far-reaching emphasis, it was felt that the County Council should formally adopt it. The *Vision for Economic Development*, in contrast, is specific to DED and its mission, goals, ongoing programs and special initiatives. The County Executive views it as a "living" document and envisions that specific priorities and action items will be adjusted over time based on the needs of our local business community, changing economic conditions, and new opportunities and challenges.

We would welcome the Council's review of this document and any input or recommendations arising out of that review, particularly as they relate to how the document will be translated into action. We propose that the *Vision for Economic Development* be accompanied by an annual work program which details departmental priorities, with corresponding budgetary and staffing requirements.

OLO notes that it is "analytically difficult to design evaluations that can reliably distinguish between a desired change (e.g., job growth, tax base expansion) caused by a specific economic development program versus a change caused by external factors, such as business cycles, tax policies, and/or natural firm growth." While it is true that it is difficult to gauge the impact of any governmental effort on such factors as the unemployment rate, new job creation, new business formation and the like, we firmly believe that you can measure the results of specific programs in terms of specific outcomes.

For example, we can clearly identify a strong cause and effect relationship between the financial incentives provided through the Economic Development Fund (EDF) and the number of jobs created or retained, capital investment made, and square footage of commercial space occupied. Many times, the County would not be in a position to compete for this private sector investment, or leverage private sector and State funding, if it were not for the EDF funds, especially in a competitive, global economy. In addition, it is important to recognize that many of DED's programs have received best practice awards from the International Economic Development Association, the Northeastern Economic Development Association, the Maryland Economic Development Association, and the National Association of Counties.

We appreciate the opportunity to respond to this report, and look forward to working with the County Council and its staff to advance the recommendations which have been made by OLO. It is critical, particularly during these trying economic times, that the County do all it can to market the County strategically, to ensure the ongoing success of our businesses, and to help create high-paying jobs – goals that are the backbone of DED.

TLF:dg

Karen Orlansky, Director
January 27, 2009
Page 3

cc: Pradeep Ganguly, DED Director
Jennifer Barrett, Finance Director
Joseph Beach, OMB Director
Kathleen Boucher, ACAO

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2009-8

The Department of Economic Development: Review of Budget and Strategies

APPENDICES

A.	Highlights of Economic Development Programs and Services Provided by Other Locally-Funded Department/Agencies
B.	Additional Information on the Business Innovation Network
C.	Additional Information on the Division of Agricultural Services
D.	Additional Information on the Federal Workforce Investment Act
E.	Economic Development Fund Recipients and Transaction Amounts
F.	Tax Credit Recipients and Amounts: FY09
G.	Summary of Estimated Silver Spring Music Venue Project Financials
H.	Excerpt from DED 2004 Strategic Plan
I.	<i>A Vision for Economic Development in Montgomery County</i> , transmitted from the County Executive to the Council in December 2008
J.	Department of Economic Development's Performance Plan, December 2008

Appendix A

Highlights of Economic Development Programs and Services Provided by Other Locally-Funded Departments/Agencies

The Department of Economic Development routinely works with numerous other County Government departments and other County agencies, whose responsibilities include managing programs, projects, and activities that contribute to the County's economic development. This appendix provides highlights of some of these other locally-funded "economic development" programs and services provided by entities other than DED.

1. County Government Economic Development Activities Outside of DED

a. Regional Services Centers

The County's Mid-County, Silver Spring, and Bethesda-Chevy Chase Regional Services Centers participate in economic development activities in their service areas.

- **The Mid-County Regional Services Center** manages the Wheaton Redevelopment Program, including staffing the Wheaton Redevelopment Advisory Committee, which is composed of Wheaton businesses, residents, and community leaders.

The Mid-County Regional Services Center also manages the Wheaton Urban District. As the district manager, the Regional Services Center markets and promotes activities and business in the Wheaton Urban District. The Regional Services Center also staffs the Urban District Advisory Committee, which advises the County on issues affecting the revitalization and the economic and physical development of the Wheaton Urban District.

- **The Silver Spring Regional Services Center** manages the Silver Spring Urban District and the Silver Spring Redevelopment Program. As urban district manager, the Regional Services Center promotes business in the Silver Spring Central Business District and staffs the Silver Spring Urban District Advisory Committee.
- **The Bethesda-Chevy Chase Regional Services Center** administers the County's contract with the Bethesda Urban Partnership to manage the Bethesda Urban District. Under this contract, the Bethesda Urban Partnership plans and manages activities that promote the commercial interests of downtown Bethesda. The Director of the Bethesda-Chevy Chase Regional Services Center is an ex-officio, non-voting member of the Bethesda Urban Partnership's Board of Directors.

b. Department of Finance

The Department of Finance collects data and reports on economic indicators for the County on an ongoing basis. The Department co-manages the Economic Development Fund with DED's Division of Finance, Administration and Special Projects. The Department also meets annually with the Business Advisory Panel to discuss the County's economic outlook with business and industry representatives.

In addition to these activities, the Department offers Economic Development Revenue Bonds to qualifying for-profit businesses. The goals of these bonds are to:

- Support the growth of local businesses;
- Support a limited list of tax-favored activities (for example, small manufacturing facilities, solid waste disposal facilities, and low-income housing projects); and
- Enhance the fiscal posture of the County.

The County gives special consideration to projects that:

- Enhance the fiscal posture of the County;
- Offer significant opportunities to unemployed and under-employed residents of the County;
- Are located or to be located in areas designated for urban revitalization or strategically targeted growth;
- Are displaced as a result of government action; or
- Include plans for significant expansion within or relocation into the County.

c. Department of Housing and Community Affairs

The Department of Housing and Community Affairs Neighborhood Revitalization Section participates in physical and economic commercial revitalization projects in retail centers and central business districts. For example, DHCA manages the following two CIP projects:

- **The Burtonsville Community Revitalization** project aims to support existing small businesses and create new opportunities for private investment. The projects will create a “village center” in the Burtonsville commercial core. The County has appropriated \$100,000 for this project in FY09.¹
- **The Long Branch Pedestrian Linkages** project will improve pedestrian links between residential areas and the Long Branch village center. One objective of this project is to support businesses in the commercial area and create new opportunities for private investment. The County appropriated \$171,000 for this project in FY09.²

d. Department of General Services: Local Small Business Reserve Program.

In April 2005, the Montgomery County Council enacted a law and accompanying Executive Regulation establishing the Local Small Business Reserve Program (LSBRP). As of January 1, 2006, eligible small businesses in Montgomery County can bid on selected County contracts competing only with other businesses meeting the program criteria. Designated County departments are required to structure their procurement processes so that at least ten (10) percent

¹ FY09-14 CIP, Project No. 760900. Last modified June 4, 2008.

² FY09-14 CIP, Project No. 760600. Last modified June 4, 2008.

of their total procurement dollars are spent with qualified small businesses. The LSBRP was created to enhance the competitiveness of and increase economic opportunities for Montgomery County-based small businesses by creating separately-defined County procurement opportunities for local small businesses.

e. Other FY09-FY14 Capital Improvements Program Projects

There are four economic development projects in the CIP that are managed by the County Executive rather than the Department of Economic Development.³

- **The Long Branch Town Center Redevelopment** project has total planned expenditures of \$300,000, which are programmed for FY09.⁴ The project funds the facility planning for public improvements to the block bounded by Arliss Street, Flower Avenue, and Piney Branch Road in the Long Branch neighborhood. The public improvements will accompany the redevelopment of the area as a higher density mixed-use Town Center with retail at street level and residential above.
- **The Wheaton Redevelopment Program** has \$664,000 appropriated for FY09.⁵ The project funds studies, streetscaping, façade improvements, site improvements, land acquisition, relocation, lighting upgrades, and demolition within the Wheaton Central Business District.
- **The Silver Spring Redevelopment Program** has programmed expenditures of \$12.2 million in FY09.⁶ The project funds studies, streetscaping, historic preservation, utility undergrounding, site improvements, land acquisition, relocation, and demolition as part of the retail-oriented redevelopment of Silver Spring. The government expenditure is expected to total \$191.2 million for this multi-project redevelopment.
- **The Silver Spring Civic Building** project has a total estimated cost of \$10.4 million, with expenditures of \$4.9 million programmed for FY09. The construction of the Civic Building, part of the Silver Spring Redevelopment project, will provide a location for County services and community events.

f. Public Libraries

The Public Libraries website has a Biz Info page with a variety of resources including information on starting a business, industry research, and demographic data. The page provides links to relevant DED programs as well as other state and local programs. The Rockville Library has a special collection of business information and a space for SCORE volunteers to offer one-on-one counseling.

³ These four projects are in the CIP under the category of General Government and the subcategory of Economic Development.

⁴ FY09-14 CIP, Project No. 150700. Last modified June 3, 2008.

⁵ FY09-14 CIP, Project No. 150401. Last modified June 3, 2008.

⁶ FY09-14 CIP, Project No. 159281. Last modified June 3, 2008.

2. Economic Development-Related Activities of Other County Agencies

a. Montgomery College

The Macklin Business Institute at Montgomery College operates the Center for Entrepreneurship. This Center provides educational, training, and enterprise resources for students and the business community. The Center offers conferences and non-credit courses on topics such as small business planning, venture capital, and business ethics. The Center receives funding from the County general fund, private organizations, the County's Department of Economic Development.⁷

b. Maryland-National Capital Park and Planning Commission (M-NCPPC)

M-NCPPC publishes an annual report (*Economic Forces That Shape Montgomery County*) which presents information on economic indicators for Montgomery County. Specifically, the report reviews:

- Job growth trends in the public and private sector by industry,
- Impact of Federal Government as an employer, tenant, and landowner in the County;
- Commercial space inventory, lease rates, and vacancy; and
- Housing affordability and supply.

c. Montgomery County Revenue Authority

The Montgomery County Revenue Authority may finance public facilities through issuing bonds to raise capital, acquire land or other property, or pay construction costs. For example, the Revenue authority issued bonds to finance the Montgomery County Conference Center in 2003.

⁷ <http://macklin.intridea.com/resources/organizations>

Appendix B

Additional Information on the Business Innovation Network (the County's Incubator Program)

As described in the report, the Business Innovation Network has five facilities. Section A of this appendix provides more detail on these centers and the services provided, while Section B provides more detail on the incubators' costs.

A. Program Information

- **The Shady Grove Innovation Center** (formerly known as the Maryland Technology Development Center) is located on Great Seneca Highway on the Shady Grove Life Sciences Campus. This facility specializes in technology based companies (e.g., biotech and IT/telecom industries). The center is 60,000 square feet with 24 wet labs and 60 offices, accommodating 40-50 companies. It is the largest of the five incubators.
- **The Silver Spring Innovation Center**, located in downtown Silver Spring, provides office space for advanced technology companies in the IT industries and professional service businesses, primarily government contractors. The center has 20,000 square feet and accommodates 20-25 businesses.
- **The Wheaton Business Innovation Center** is located in the Westfield South Building adjacent to the Westfield Shopping Mall. It was developed to target small, minority- and women-owned non-technology companies, mostly in the professional services field. The center is 12,000 square feet and can accommodate 15-25 businesses.
- **The Rockville Innovation Center** is located in the Rockville Town Center. It was designed for international companies that are new to the County, and local professional service and advanced technology companies. The center is 23,000 square feet and can accommodate 20-30 companies.
- **The Germantown Innovation Center** is located on the Germantown Campus of Montgomery College. It is designed for life sciences and advanced technology companies and has wet labs and office space. It is 32,000 square feet and can accommodate 20-30 companies.

The incubators have a total capacity of 115-160 companies. A Tenant Review Committee, comprised of private and public representatives, evaluates applications for admittance into the Business Innovation Network. To be eligible, a company must have a completed business plan and show that it has six months of rental revenue.

As a tenant in the Business Innovation Network, companies receive administrative and management support and have access to conference rooms and common space designed to facilitate networking. Members of the Service Corps of Retired Executives (SCORE), the University of Maryland's Small Business Development Center Network, and the University of Maryland's Intellectual Property Legal Resource Center share space in the incubators on different days of the week to provide assistance to businesses. There is also a virtual incubator program that provides the same support services without the physical office space.

The County expects incubator companies to graduate from the Incubator Network within three to five years depending on the industry. The County encourages graduations by increasing the cost of incubator space each year, but the decision to graduate usually comes from the business itself.¹

The five incubators currently hold 125 tenants providing 400 jobs (as of November 2008) with an average annual salary of \$75,000. Since the beginning of the program, 88 companies have graduated from the incubators, 71 of which are still operating (81%). These companies have created 1,600 jobs and occupy over 400,000 square feet of commercial space in the County.²

According to DED staff, government has a unique role to play in nurturing local businesses. DED research shows that there is not enough profit potential for the private sector to be involved in incubator operations, especially in the biotech industry. The government's goal is not to realize an immediate profit, but rather "the long-term stable return of direct and indirect economic impacts as demonstrated over the last 7-8 years in Montgomery County and other regions."³ Also, in the case of the new Germantown Incubator, DED staff believe that the size of the labs created (500-600 square feet) is "highly desired by the biotech community and not readily available from the commercial market."⁴

B. Budget Information

The table on the next page provides a summary of the initial capital costs of the incubator facilities and the FY09 cost of debt service, operating costs, lease payments, and County personnel which totals \$3.784 million. The costs are paid through a combination of direct County contributions, totaling approximately \$1.997 million in FY09, and tenant rents (not shown in table).

To meet FY09 and FY10 budget savings requirements, one position from the Shady Grove incubator (which had two staff due to tenant volume) was shifted to service the Germantown Incubator in mid-FY09, and the position approved for the Germantown Incubator (which had not been filled due to FY09 budget savings plan) was abolished for FY10. In other words, only 5.0 workyears dedicated to the incubators have been filled, although 6.0 workyears were approved for FY09. These positions are within DED's Division of Business Empowerment.

¹ Department of Economic Development, Montgomery County Incubator Network Annual Report, April 2008.

² Department of Economic Development

³ Department of Economic Development Responses to PHED Committee, February 8, 2008; p. ©6 of packet for Council session on April 1, 2008.

⁴ Department of Economic Development, Montgomery County Incubator Network Annual Report, April 2008.

Table B-1: Business Innovation Network Overview and FY09 Costs

		Shady Grove	Silver Spring	Wheaton	Rockville	Germantown	Total
A	Year opened	1999	2004	2006	2007	2008	
B	Present Ownership	County and MEDCO	County	County leases facility from Westfield	County and MEDCO	County sub-leases facility from Montgomery College	
C	Ownership Condition	County assumes sole ownership upon retiring debt in 2018	None	10-year lease with 3% annual escalation until 2014	County assumes sole ownership upon retiring the debt in 2032	20-year lease with 3% annual escalation until 2026	
D	Total Project Capital Cost	\$9.45 million (\$850,000 in County funds)	\$2.5 million (\$900,000 in County funds)	\$300,000 (All County funds)	\$6.6 million (\$900,000 in County funds)	\$6.7 million (\$2.95 million in County funds)	\$25.55 million (\$5.9 million in County funds)
E	Facility Size	56,000 sq.ft.	22,000 sq.ft.	12,000 sq.ft.	24,000 sq.ft.	33,000 sq.ft.	147,000 sq.ft.
FY09 Incubator Costs/County Funding							
F	Debt Service	Approx.\$460,000	None	None	Approx.\$390,000	None	\$850,000
G	Lease Payment	None	None	\$230,000	None	Approx.\$660,000	Approx.\$680,000
H	County Personnel Costs	\$253,275	\$102,377	\$100,778	\$89,973	\$94,045	\$640,448
I	Additional Operating Costs	\$532,339	\$132,419	\$62,206	\$369,614	\$308,856	\$1.405 million
J	TOTAL Cost (F+G+H+I)	\$1.245 million	\$234,796	\$392,984	\$849,587	\$1.062 million	\$3.784 million
K	County Operating Grant	\$400,000	None	\$240,440	\$361,0000	\$333,870	\$1.335 million
L	TOTAL County Funding (H+K)	\$653,725	\$102,377	\$342,218	\$460,973	\$437,915	\$1.997 million

Appendix C

Additional Information on the Division of Agricultural Services

About one-third of the County's land area is used for agricultural activities. The County's 577 farms and 350 horticultural enterprises produce more than \$251 million in economic contributions and employ more than 10,000 County residents.¹ The majority of these jobs are in horticulture, which includes nurseries and landscaping companies, arborists, sod farms, lawn care firms, and greenhouse businesses. The County also has a substantial equine industry with over 12,000 horses, which exceeds the population of all other livestock combined.²

A. Agricultural Land Preservation Programs

The Council established the County's Agricultural Reserve in 1981 to preserve farming, provide open space, and protect the environment on 93,000 acres of land, almost one-third of the County. The Agricultural Reserve was created by the County's Functional Master Plan for the Preservation of Agriculture and Rural Open Space.

Through transfer of development rights or easement purchase initiatives, 70,093 acres of farmland in Montgomery County are protected by permanent easements.³ These easements preclude future commercial, residential, or industrial development of the land, even if the land is sold to a different owner.

The Division of Agricultural Services implements and promotes several State and County programs that have been used to achieve this protection of agricultural land. Table C-1 lists these programs and the number of acres protected under each one.

**Table C-1: Agricultural Land Preservation Programs and Acres Protected
As of June 30, 2008**

Program	No. of Acres Protected
Montgomery County Agricultural Easement Program (AEP)	7,266
Montgomery County Transfer of Development Rights Program (TDR)	51,830
Maryland Agricultural Land Preservation Foundation (MALPF)	4,036
Maryland Environmental Trust (MET)	2,086
Montgomery County Rural Legacy Program (RLP)	4,875

Source: DED, Division of Agricultural Services

¹ Department of Economic Development website, accessed November 24, 2008.

² Agricultural Services Report, Fall 2006, Department of Economic Development, p. 2.

³ As of June 20, 2008. Division of Agricultural Services website, accessed November 18, 2008.

1. Montgomery County Programs

The Agricultural Easement Program (AEP) has protected 7,266 acres of land. The program is administered by the Division of Agricultural Services using funds from the Agricultural Preservation CIP project to purchase agricultural land preservation easements from landowners. Funding for this project comes from the County's portion of the State Agricultural Transfer Tax and investment income earned on the tax. The farm must be located in a Rural Density Transfer zone, Rural Cluster Zone, Rural Zone, or qualify for an approved Agricultural Preservation District.

The Transfer of Development Rights (TDR) program has protected 51,830 acres, more than any other program. Transferable Development Rights are used to shift development away from agricultural areas (i.e., TDR sending areas) to designated growth zones (i.e., TDR receiving area) with greater density and existing public services. A developer in a TDR receiving area purchases the development right from the landowner in the sending area, which allows the developer to build at a higher density than allowed otherwise. When the rights are transferred from land in the sending area, the land is restricted by a permanent TDR easement that places limits on future development.

Most of the Agricultural Reserve is zoned as the Rural Density Transfer Zone, which allows one dwelling unit per twenty-five acres. TDRs are calculated at the rate of one for every five acres of land in the Agricultural Reserve. These TDRs can then be sold to other landowners or developers who would like to develop at a higher density in other parts of the County. Once the TDR is sold, the agricultural land is permanently preserved at one dwelling unit (or "buildable lot") per twenty-five acres.

The Building Lot Termination Program is a new program being developed to prevent development on this remaining buildable lot. On November 18, 2008, the County Council approved amendments to the Agricultural Land Preservation legislation that authorize the creation of building lot termination (BLT) easements.⁴ The law authorizes the Executive to purchase these easements to preserve farmland and to issue regulations to implement this process including how to value BLT easements.

2. State of Maryland Programs

The State's Maryland Environmental Trust, Rural Legacy Program, and Maryland Agricultural Land Preservation Foundation have protected 10,997 acres of agricultural land in Montgomery County. These programs and DED's role in them are briefly described below.

The Maryland Environmental Trust is a program that allows landowners to donate land to a perpetual easement in exchange for tax benefits.

⁴ Bill No. 39-07

The Rural Legacy Program “provides funds to the local governments and land trusts to purchase interests in real property from willing sellers, including easements, transferable development rights, and fee estates, focused in designated Rural Legacy Areas.”⁵ In past years, the State has given Montgomery County a grant under this program. The County has included this money in the Agricultural Land Preservation Easements CIP. No funding for this program is included in the CIP for FY09.

The Maryland Agricultural Land Preservation Foundation uses State funds to purchase easements from landowners, subject to County approval of the landowner’s application to the program.

B. Drought Emergency Assistance Program

As described in Chapter IV (on page 32), the DED Division of Agricultural Services administers the County Drought Emergency Assistance Program. This program is implemented only as needed, to date in 1997, 1999, and 2007.

In 2007, any farmer with more than a 20% crop loss was eligible for emergency assistance provided that the farm had a soil conservation and water quality plan and a current nutrient management plan (if required for that farm). The Division of Agricultural Services held a press conference and set a deadline for applications. An Agricultural Emergency Program Advisory Panel was formed to work with the Division of Agricultural Services to determine eligibility and verify crop production and loss levels.

To determine the 2007 emergency assistance payments, staff applied the 1999 rates per acre, adjusted them for inflation, and then multiplied this rate by the total acre of each crop. In 2007, farmers lost crops worth more than an estimated \$13 million.⁶ The Department provided \$1.4 million of assistance. The State of Maryland estimated that total crop losses would be between 30-60% for agriculture statewide.

C. Other Activities of the DED Division of Agricultural Services

1. The Agricultural Advisory Committee

DED staff attend monthly meetings of the Agricultural Advisory Committee. This Committee was created by Council Resolution in 1976. As outlined in the Committee’s by-laws, the purpose of the Agricultural Advisory Committee is “(a) to provide a liaison between the County Government and the agricultural sector, (b) to coordinate local government services in rural areas, [and] (c) to work to suggest a program to maintain agriculture as a viable economic sector of the County...”⁷ Twelve of the fifteen members must be representatives of the farming community, while three members should have no direct financial interest in farming and represent non-farm County interests.

⁵ Natural Resources Article, Title 5, Subtitle 9A. Rural Legacy Program. 5-9A-01(b)(2)

⁶ Memorandum for PHED committee, September 17, 2008.

⁷ County Council Resolution No. 8-705, adopted March 16, 1976.

2. Agricultural Preservation Advisory Board

The Agricultural Advisory Board provides guidance to the County Government on agricultural preservation and promotes conservation of agriculture by providing information and assistance to farmers. As established in County Code, the Agricultural Preservation Advisory Board consists of five members appointed by the County Executive and confirmed by the County Council. Three members must be farm owner-operators earning at least 50 percent of their income from farming.⁸

⁸ Montgomery County Code, § 2B-2

Appendix D

Additional Information on the Federal Workforce Investment Act

The federal Workforce Investment Act of 1998 (Public Law 105-220) establishes a source of funding for the Division of Workforce Services' activities and mandates many of the services that the Division provides. In FY09, federal and state grant funds of \$2.5 million account for about two-thirds of the Division's total budget.

The purpose of the Workforce Investment Act (WIA) is:

To provide workforce investment activities, through statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation.¹

Montgomery County is one of twelve workforce investment areas in Maryland that have been designated under the WIA. The Federal Government provides funding to the State of Maryland for workforce development by formula and the State then sets a formula (usually the same as in federal law) for distributing funds to each workforce investment area. The State provides Montgomery County with funding for adult, youth, and dislocated worker employment and training activities. A different formula is used to determine the funding for each of these target populations.

The federal law requires that States receiving WIA funds establish a one-stop delivery system that offers employment and training services in at least one physical location in each workforce investment area.² Local areas must use WIA grant funds to provide three sets of services for adults and dislocated workers at the one-stop centers:

- **Core services:** Core services are available to all adults and dislocated workers with no eligibility requirements. Services should include job search and placement assistance, labor market information, initial assessment of skills and needs, and assistance determining eligibility for other government programs.
- **Intensive services:** Intensive services are for adults and dislocated workers subject to certain eligibility requirements set by federal law and the local Workforce Investment Board. Services should include comprehensive skills assessments, development of an individual employment plan, group counseling, and individual counseling.
- **Training services:** Qualified individuals that receive intensive services but are still unable to find a job may receive training services that are directly linked to job opportunities in the area. These services may include occupational skills training, on-the-job training, entrepreneurial training, and adult education and literacy activities.

¹ 29 USC § 2811

² 29 USC § 2864(c)

Local areas must also use WIA funds to conduct programs for youth with elements described in the federal law, such as tutoring and dropout prevention strategies, summer employment opportunities, adult mentoring, and comprehensive guidance and counseling.³ Federal law requires that at least 30% of local WIA youth funds be used to provide activities to youths that are not in school.⁴

A local Workforce Investment Board (WIB) advises and assists the Division of Workforce Services. The Workforce Investment Act requires each workforce investment area to have a Workforce Investment Board “to set policy for the portion of the statewide workforce investment system within the local area.”⁵ Federal law and Montgomery County Executive Order No. 159-02 establish the board’s duties, such as advising the County Government on workforce issues in the community, conducting oversight of local adult and youth workforce programs, designating or certifying one-stop operators, and identifying local providers of adult and dislocated worker services.⁶ The WIB has 30 members representing the private sector, organized labor, community-based organizations, Montgomery County Public Schools, Montgomery College, and County and State Government. Members are appointed by the County Executive and confirmed by the County Council.

Federal law also requires that there be a Youth Council within each local Workforce Investment Board. The Youth Council oversees and plans for the provision and coordination of workforce training activities for youth and recommends eligible providers of youth activities. The Youth Council must be made up of members of the local WIB with a special interest or expertise in youth policy and additional members representing youth service agencies, local public housing authorities, the Job Corps, parents of eligible youth seeking workforce development assistance, and individuals (such as former participants) with experience related to youth activities.⁷

³ 29 USC § 2854(c)

⁴ 29 USC § 2854(c)(4)(A)

⁵ 29 USC § 2832

⁶ Montgomery County Executive Order 159-02; July 3, 2002; p. 3-4.

⁷ 29 USC § 2832(h)

Appendix E

The Economic Development Fund: All Transactions by Program since Fund Inception

Source: Montgomery County Economic Development Fund Annual Report (March 15, 2008).

A new Annual Report will be released March 15, 2009 with an updated list of recipients.

**Table E-1: EDF Grant and Loan Program Recipients
Assistance from 1995 to Feb. 2008**

	Recipient	Industry	Location	Transaction Amount
1	American Osteopathic Healthcare Ass.	Association	Bethesda	\$20,000
2	Fresh Fields/Whole Foods	Retail HQ	Rockville	\$75,000
3	Information Systems & Services, Inc.	Info-Tech	Silver Spring	\$5,000
4	Medtap, International	Bio-Medical	Bethesda	\$40,000
5	MicroDynamics	Technology	Silver Spring	\$30,000
6	National Council of Senior Citizens	Association	Silver Spring	\$50,000
7	NEXGEN	Info-tech	Silver Spring	\$15,000
8	Palmer Brothers Painting	Contractor	Silver Spring	\$30,000
9	Preferred Pediatrics (Children's Hospital)	Business Services	Silver Spring	\$20,000
10	Technology Service Corporation	Technology	Silver Spring	\$100,000
11	Washington Consulting Group	Technology	Bethesda	\$25,000
12	First Federal Corporation	Info-Tech	Gaithersburg	\$150,000
13	JZA	Business Services	Bethesda	\$20,000
14	Information Systems & Solutions, Int'l	Business Services	Silver Spring	\$50,000
15	BGS&G Companies	Business Services	Silver Spring	\$20,000
16	Forte Software	Info-Tech	Rockville	\$15,000
17	National Micrographics	Technology	Silver Spring	\$5,000
18	Decision Systems Technologies	Info-Tech	Rockville	\$75,000
19	Aspen Systems Corporation (Phase I)	Info-Tech	Rockville	\$100,000
20	Electronic Data Systems, Inc.	Info-Tech	North Bethesda	\$25,000
21	Foster	Business Service	North Bethesda	\$30,000
22	McKesson Bioservices	Bio-Medical	Gaithersburg	\$75,000
23	Infopro, Inc.	Business Service	Silver Spring	\$25,000
24	Johnson, Basin, and Shaw	Business Service	Silver Spring	\$10,000
25	Takoma Park Silver Spring Co-op	Retail HQ	Silver Spring	\$15,000
26	Cellmark Diagnostics, Inc.	Bio-Medical	Germantown	\$45,000
27	Thomson Technology Services Group	Info-Tech	Rockville	\$80,000
28	KRA, Inc.	Info-Tech	Silver Spring	\$25,000
29	Hekimian	Bio-Medical	Rockville	\$35,000
30	Ferris, Baker, Watts, Inc.	Business Service	Silver Spring	\$15,000
31	CenterForce Technology	Info-Tech	Bethesda	\$20,000
32	Gemelli	Manufacturer	Silver Spring	\$3,000
33	Acacia	Business Service	Bethesda	\$200,000

**Table E-1 Continued: EDF Grant and Loan Program Recipients
Assistance from 1995 to Feb. 2008**

	Recipient	Industry	Location	Transaction Amount
34	Ernst and Young, LLP	Business Service	Bethesda	\$75,000
35	Oleen Healthcare Information Management	Business Service	Silver Spring	\$30,000
36	Caelum Research Corporation	Info-Tech	Rockville	\$125,000
37	Gene Logic, Inc	Bio-Tech	Gaithersburg	\$98,000
38	ADP Benefit Service	Business Service	Silver Spring	\$15,000
39	Counter Technologies, Inc.	Info-Tech	Bethesda	\$40,000
40	Cary Medical, Inc.	Bio-Tech	Bethesda	\$30,000
41	Analytical Sciences, Inc.	Business Service	Silver Spring	\$35,000
42	ISSI (Convista Incorporated)	Business Service	Silver Spring	\$10,000
43	Torti Gala and Partners, Inc.	Business Service	Silver Spring	\$40,000
44	Prolist, Inc.	Business Service	Gaithersburg	\$40,000
45	Aspen Systems Corporation (Phase II)	Info-Tech	Rockville	\$100,000
46	Origene Technologies, Inc.	Bio-Tech	Rockville	\$50,000
47	Neurotrophic Research Corporation	Bio-Tech	Bethesda	\$35,000
48	Optelecom, Inc.	Manufacturer	Gaithersburg	\$60,000
49	EntreMed, Inc.	Bio-Tech	Rockville	\$75,000
50	NextLinx Corporation	Info-Tech	Silver Spring	\$45,000
51	Café Monet, LLC	Retail	Kensington	\$15,000
52	Digicon Corporation	Info-Tech	Rockville	\$60,000
53	Prospects Associates	Business Service	Silver Spring	\$50,000
54	The Institute for Genomic Research	Bio-Tech	Gaithersburg	\$50,000
55	Sytel, Inc.	Info-tech	Bethesda	\$95,000
56	BioReliance Corporation	Bio-tech	Gaithersburg	\$200,000
57	Softmed Systems, Inc.	Info-tech	Bethesda	\$90,000
58	Maryland Association for Non-profit	Non-Profit	Silver Spring	\$20,000
59	Earle Palmer Brown	Business Service	Bethesda	\$25,000
60	GTM Architects, Inc.	Business Service	Kensington	\$25,000
61	Doxsys, Inc.	Info-Tech	Bethesda	\$25,000
62	Palladian Partner, Inc.	Info-Tech	Gaithersburg	\$22,000
63	Sodexo Marriott	Hospitality	Rockville	\$250,000
64	BAE Systems North America, Inc.	Info-Tech	Rockville	\$150,000
65	ParaGea Communications, Inc.	Bio-Tech	Gaithersburg	\$25,000
66	International Genetics Associates, Inc.	Bio-Tech	Rockville	\$50,000
67	Immersion Medical	Bio-Tech	Gaithersburg	\$35,000
68	Panacea Pharmaceutical	Info-Tech	Rockville	\$50,000
69	DC Information Systems, Inc.	Info-Tech	Silver Spring	\$50,000
70	BIOMAT Sciences	Bio-Tech	Rockville	\$40,000
71	Gen Vec	Bio-Tech	Gaithersburg	\$125,000

**Table E-1 Continued: EDF Grant and Loan Program Recipients
Assistance from 1995 to Feb. 2008**

	Recipient	Industry	Location	Transaction Amount
72	Collective Communication Corporation	Info-Tech	Silver Spring	\$60,000
73	Medispec, Ltd.	Technology	Gaithersburg	\$25,000
74	View Point Communication	Info-Tech	Silver Spring	\$7,000
75	NASD	Business Service	Rockville	\$200,000
76	Choice Hotels International, Inc.	Hospitality	Silver Spring	\$500,000
77	Digene	Bio-Tech	Gaithersburg	\$90,000
78	The ARC of the United States	Association	Silver Spring	\$40,000
79	Wolpoff and Abramson	Business Service	Rockville	\$90,000
80	ISSI Consulting Group Inc. (Phase II)	Info-Tech	Silver Spring	\$25,000
81	High Tech Council of Maryland	Association	Rockville	\$71,500
82	Multispectral Solutions, Inc.	Info-Tech	Germantown	\$50,000
83	Viaken Systems, Inc.	Bioinformatics	Gaithersburg	\$50,000
84	Recovery Point Systems, Inc.	Info-Tech	Germantown	\$90,000
85	Telperion Networks, Inc.	Info-Tech	Gaithersburg	\$35,000
86	Discovery Communications-Caldor Site Project	Media	Silver Spring	\$170,000
87	Information Resources Associates, Inc.	Info-Tech	Silver Spring	\$30,000
88	Bid4asset.com, Inc.	Info-Tech	Silver Spring	\$75,000
89	Qiagen Sciences, Inc.	Bio-Tech	Germantown	\$1,100,000
90	Amrex, LLC	Bio-Tech	Germantown	\$70,000
91	Origene, Inc.	Bio-Tech	Rockville	\$85,000
92	Covance Health	Business Services	Gaithersburg	\$100,000
93	Intervise Consultants, Inc.	Info-Tech	Rockville	\$100,000
94	Marriott International, Inc.	Hospitality	Gaithersburg	\$3,000,000
95	Arbros Communications, Inc.	Technology	Silver Spring	\$100,000
96	Discovery Communications, Inc.	Media	Silver Spring	\$600,000
97	Gene Logic, Inc (Phase II)	Bio-Tech	Gaithersburg	\$100,000
98	Manugistics	Info-Tech	Germantown	\$90,000
99	Social & Scientific Systems	Business Service	Silver Spring	\$100,000
100	Quanta Bioscience, Inc.	Bio-Tech	Rockville	\$80,000
101	Social & Scientific Systems, Inc.	Business Service	Silver Spring	\$18,000
102	Thales Communications, Inc.	Technology	Clarksburg	\$35,000
103	Online Technologies Group, Inc.	Info-Tech	Rockville	\$120,000
104	OPNET Technologies, Inc.	Info-Tech	Bethesda	\$150,000
105	NeuralStem, Inc.	Bio-Tech	Gaithersburg	\$40,000
106	Acterna LLC	Technology	Germantown	\$1,100,000
107	SAS Inc.	Technology	Rockville	\$75,000
108	Panacos Pharmaceuticals, Inc.	Bio-Tech	Gaithersburg	\$30,000

**Table E-1 Continued: EDF Grant and Loan Program Recipients
Assistance from 1995 to Feb. 2008**

	Recipient	Industry	Location	Transaction Amount
109	Primary Care Coalition of Montgomery	Non-Profit	Gaithersburg	\$6,000
110	MaxCyte	Bio-Tech	Rockville	\$80,000
111	Imatek	Manufacturer	Germantown	\$16,000
112	MedImmune, Inc.	Bio-Tech	Gaithersburg	\$500,000
113	Advancis Pharmaceutical	Bio-Tech	Germantown	\$75,000
114	Intradigm Corp	Bio-Tech	Rockville	\$30,000
115	Cubanos Restaurant	Retail	Silver Spring	\$18,500
116	Aspen Group, Inc.	Business Service	Silver Spring	\$10,000
117	American Youth Hostels, Inc.	Business Service	Silver Spring	\$10,000
118	United Healthcare Services	Healthcare	Rockville	\$30,000
119	About Web	Info-Tech	Rockville	\$40,000
120	Center for Behavioral Health	Business Service	Rockville	\$100,000
121	TV One	Broadcasting	Silver Spring	\$100,000
122	Kierkegaard & Perry Laboratories, Inc.	Bio-Tech	Gaithersburg	\$25,000
123	BSI Proteomics, Inc.	Bio-Tech	Gaithersburg	\$50,000
124	Encore Management Corp.	Business Service	Silver Spring	\$100,000
125	MacroGenics, Inc.	Bio-Tech	Rockville	\$50,000
126	Eakin/Youngentob Associates, Inc.	Real Estate	Bethesda	\$60,000
127	Proxy Aviation, Inc.	Aviation	Germantown	\$50,000
128	Kierkegaard & Perry Laboratories, Inc.	Bio-Tech	Gaithersburg	\$75,000
129	Wheaton Plaza Regional Shopping Center	Retail	Wheaton	\$6,000,000
130	World Space, Inc.	Info-Tech	Silver Spring	\$200,000
131	8606 Colesville Road, LLC	Food	Silver Spring	\$100,000
132	Health Through Friendship	Info-Tech	Rockville	\$15,000
133	Bethesda Cultural Alliance, Inc.	Performing Arts	Bethesda	\$1,875,000
134	International Municipal Lawyers Assc.	Business Service	Bethesda	\$10,000
135	The Birchmere Project	Performing Arts	Silver Spring	\$150,000
136	Host International	Hospitality	Bethesda	\$100,000
137	Xceleron	Bio-Tech	Germantown	\$100,000
138	Sigma-Tau Pharmaceuticals, Inc.	Bio-Tech	Gaithersburg	\$60,000
139	Novavax	Bio-Tech	Rockville	\$100,000
140	WeddingWire, Inc.	Info-Tech	Bethesda	\$25,000
141	TIG Global	Info-Tech	Bethesda	\$50,000
142	Innovative Biosensors, Inc.	Info-Tech	Rockville	\$50,000
143	Hewlett-Packard Company	Info-Tech	Bethesda	\$50,000
Total				\$22,815,000
Average				\$159,545

**Table E-2: Technology Growth Program Recipients
Assistance from 2000 to Feb. 2008**

	Recipient	Industry	Transaction Amount
1	eStore Group, Inc.	Hi-Tech	\$70,000
2	iroute, Inc.	Hi-Tech	\$50,000
3	20/20 Gene Systems	Bio-Tech	\$50,000
4	OrthoSpot.com	Hi-Tech	\$80,000
5	XFI, Inc.	Hi-Tech	\$80,000
6	BioMat Sciences, Inc.	Bio-Tech	\$60,000
7	MarketPlace TV	Hi-Tech	\$50,000
8	KnowledgeMax, Inc.	Hi-Tech	\$70,000
9	Corvedia	Hi-Tech	\$60,000
10	Deus Technologies	Hi-Tech	\$80,000
11	Eka Systems	Bio-Tech	\$80,000
12	Infinity Pharmaceuticals	Bio-Tech	\$70,000
13	Ipsil	Bio-Tech	\$80,000
14	DVIP Multimedia	Hi-Tech	\$40,000
15	Expression Pathology	Bio-Tech	\$50,000
16	Aptus Pharmaceutical	Bio-Tech	\$80,000
17	Data Quality Solutions	Hi-Tech	\$50,000
18	BioSciCon	Bio-Tech	\$25,000
19	Advanced Vision Therapy	Bio-Tech	\$70,000
20	TeleContinuity	Telecom	\$60,000
21	Rexahn	Bio-Tech	\$100,000
22	Procell Corporation	Bio-Tech	\$50,000
23	Comware, Inc.	Telecom	\$50,000
24	KoolSpan, Inc.	Telecom	\$60,000
25	Mobitrum, Inc.	Info-Tech	\$75,000
26	Cranium Software	Info-Tech	\$30,000
27	Apogee Ventures, Inc.	Medical Equipment	\$50,000
28	Setecs, Inc.	Info-Tech	\$50,000
29	Mobilap, Inc.	Info-Tech	\$30,000
30	VorCat, Inc.	Info-Tech	\$50,000
31	BioFactura, Inc.	Bio-Tech	\$50,000
32	New Hope Pharmaceuticals	Life Science	\$50,000
33	NetImmune, Inc.	Info-Tech	\$60,000
34	NeoDiagnostix, Inc.	Life Science	\$75,000
35	WebSolve, Inc.	Info-Tech	\$100,000
36	AlphaGenetics, Inc.	Life Science	\$50,000
37	SMBLive, Inc.	Info-Tech	\$50,000

**Table E-2 Continued: Technology Growth Program Recipients
Assistance from 2000 to Feb. 2008**

	Recipient	Industry	Transaction Amount
38	Owen Software, Inc.	Info-Tech	\$75,000
39	Aberro, Inc.	Info-Tech	\$50,000
40	Anthrotronix, Inc.	Hi-Tech	\$50,000
41	Adriane Genomics, Inc.	Bio-Tech	\$80,000
42	Amulet Pharmaceuticals, Inc.	Bio-Tech	\$25,000
43	SaleStrong	Bio-Tech	\$50,000
44	Envisionier Medical Tech	Medical Equipment	\$60,000
45	Neuronascent	Info-Tech	\$50,000
46	RemeGenix	Bio-Tech	\$50,000
47	RockSoft (Cilutions)	Info-Tech	\$60,000
48	3C Logic	Info-Tech	\$50,000
49	Immunomic Therapeutics	Bio-Tech	\$40,000
50	ZaraCom Technologies	Info-Tech	\$60,000
51	Broadband MD, Inc.	Info-Tech	\$50,000
52	CertusNet, Inc.	Info-Tech	\$75,000
53	Sirnaomics	Bio-Tech	\$50,000
54	Synaptic Science LLC	Bio-Tech	\$40,000
55	Cellex, Inc.	Bio-Tech	\$60,000
56	Global stem	Bio-Tech	\$50,000
Total			\$3,260,000
Average			\$58,214

**Table E-3: The Small Business Revolving Loan Program
Assistance from 2001 to Feb. 2008**

	Recipient Company	Industry	Transaction Amount
1	Takoma Park Silver Spring Food Coop	Grocery Store	\$40,000
2	Marimelj Entertainment Group, Inc.	Entertainment	\$50,000
3	BioMat Sciences, Inc.	Technology	\$40,000
4	bConvergent, Inc.	Info-Tech	\$80,000
5	Mayorga Coffee Roaster	Retail	\$80,000
6	Pyramid Atlantic	Art	\$100,000
7	20/20 GeneSystems, Inc.	Bio-Tech	\$50,000
8	Special Integrated Systems	Info-Tech	\$45,000
9	First Federal	Info-Tech	\$130,000
10	Global Translation	Info-Tech	\$70,000
11	Kierkegaard & Perry Laboratories, Inc.	Info-Tech	\$75,000
12	Hollywood East	Restaurant	\$55,000
13	Dollar Direct, Inc.	Wholesale	\$95,000
14	The Breeze Caribbean Restaurant	Restaurant	\$50,000
15	March Uniform, Inc.	Retail	\$35,000
16	Sacred Mountain	Foods	\$95,000
17	Cranium Software, Inc.	Info-Tech	\$30,000
18	Sashelvis Hair Salon, Inc.	Personal Service	\$65,000
19	Health Through Friendship	Info-Tech	\$85,000
20	Jupiter and J	Retail	\$38,000
21	Bobby's Crabcakes, LLC	Restaurant	\$60,000
22	Panas, LLC	Retail	\$40,000
23	Wise Comprehensive Solutions, LLC	Info-Tech	\$60,000
		Total	\$1,468,000
		Average	\$63,826

**Table E-4: Impact Assistance Program Recipients
Assistance from FY05 to Feb. 2008**

	Recipient Company	Location	Transaction Amount
1	ITB Eight, LLC (Black's Bar and Kitchen)	Bethesda	\$8,400
2	Moren, Inc.	Silver Spring	\$20,000
3	Vicky Snead (Eurokids Fashion)	Silver Spring	\$8,000
4	Olympic Carpet & Rug, Inc (Carpet Bazaar)	Silver Spring	\$15,000
5	Interior Accents, Inc.	Silver Spring	\$4,000
6	Bach Hue Nguyen (Bethesda Nail Spa by On)	Bethesda	\$3,700
7	BH&R Associates (Quarry House Tavern)	Silver Spring	\$4,000
8	Kefa Café	Silver Spring	\$10,000
9	ITB Eight	Bethesda	\$2,800
10	Universal Artificial Limb Co.	Silver Spring	\$3,000
11	K.O. Inc. (Presence)	Bethesda	\$10,000
12	Italia Gourmet	Silver Spring	\$15,000
13	Mayorga Coffee	Silver Spring	\$20,000
14	The Finkhauser Group, Inc. (The French Quarter Café)	Germantown	\$20,000
15	KCD Nguyen, LLC T/A Passion Nail Spa	Germantown	\$15,000
16	Yamo, LLC	Germantown	\$20,000
17	Grand Crew Enterprises	Germantown	\$20,000
18	Barry's Magic Shop	Wheaton	\$63,100
19	Sacred Mountain LLC (Moorenko's Ice Cream Café)	Silver Spring	\$20,000
		Total	\$282,000
		Average	\$14,842

**Table E-5: Micro-Enterprise Loan Program Recipients
Assistance from 2007 to Feb. 2008**

Recipient Company	Industry	Location	Transaction Amount
Mendoza & Associates	Professional Service	Wheaton	\$15,000

APPENDIX F

Tax Credit Recipients and Amounts: Levy Year 2008 (FY09)

Source: Department of Finance

**Table F-1: Enterprise Zone - Real Property Tax Credits,
Levy Year 2008**

Credit Recipient	Property Account #	Credit Amount
1111 Fidler Lane LLC	03371371	\$4,895.61
7676 New Hampshire LP	03170928	\$9,553.07
7676 New Hampshire LP	03170930	\$9,603.61
801 Roeder Road LLC	03211552	\$29,818.29
8081 Georgia LLC	00990853	\$208.37
8081 Georgia LLC	00990864	\$65.38
8081 Georgia LLC	00990875	\$248.40
8081 Georgia LLC	00990886	\$4,803.62
8215 Fenton Street LLC	03381186	\$5,432.90
8515 Georgia Avenue Assoc LLC	03309102	\$261,252.75
8700 Georgia Avenue LTD Partnership	00959163	\$5,841.84
8757 GA LLC	03293528	\$138,792.08
A V Investments Maryland LLC	01044497	\$3,539.71
A V Investments Maryland LLC	01044500	\$851.07
Alan Levin ET AL	03341716	\$1,649.05
Alignay Investment LLC	03598637	\$459.70
Anchor Inn Properties LLC	01187938	\$13,463.95
Balla Development LLC	03598763	\$445.06
Balla Development LLC	03598774	\$368.93
Balla Development LLC	03598785	\$1,381.04
Base Properties LLC	02541807	\$836.61
Base Properties LLC	02542061	\$559.67
Blair Mill LLC	00976178	\$877.42
Blair Mill LLC	00976203	\$1,956.87
Blair Mill LLC	00976293	\$3,320.35
Blair Mill LLC	00976327	\$2,298.32
Blair Shopping Center LLC	03369652	\$66,375.44
Brian Hewitt	03449140	\$2,563.23
Broad St at Pershing Ct LLC	03598728	\$419.67

**Table F-1 Continued: Enterprise Zone - Real Property Tax Credits,
Levy Year 2008**

Credit Recipient	Property Account #	Credit Amount
Burcin Kalendar	01042501	\$4,304.46
Charles Kim	01045322	\$2,029.93
Chevy Chase Bank FSB	00964637	\$2,579.93
Colesville Joint Venture	00984681	\$15,070.46
Dennis A Baird ET AL	01088194	\$1,082.26
Doris R Aaronson ET AL	01177600	\$1,319.06
DPS Investments LLC	00991130	\$284.13
Ellioe LLC	03598626	\$1,180.95
Encore Properties LLC	00956273	\$3,166.38
Georgia Cameron Associates	00975471	\$18,039.77
Grandesign Building LLC	01046942	\$11,260.85
Greengerg & Bederman	01046190	\$2,394.10
Gudelsky Co	01041745	\$59,913.70
Hospitality Assoc of SS LP	03211541	\$12,858.85
Jemal Post Office LTD Partnership	01047194	\$4,145.31
Joyce L Bosc	01088593	\$2,992.60
Joyken United Corp	00960710	\$5,600.29
Lance O Bailey	01040400	\$1,704.55
Mary Snider	03598661	\$559.25
MCB Pershing LLC	03598730	\$1,166.81
MCB Pershing LLC	03598741	\$335.26
Melville Wyse DDS	02541795	\$793.15
Montgomery Preservation Inc	03233376	\$2,403.80
Next Trend Styling LLC	03598717	\$476.77
Orchard Avenue Offices LLC	03474895	\$1,447.41
Paez Kids LLC	01026886	\$6,678.06
Patrick Sanders	03449071	\$2,033.25
Pershing Court LLC	03598648	\$346.47
PFA-H Silver Spring LC	03423533	\$12,655.84
Plaza Pershing Court LLC	03598694	\$780.31
Privateer Properties LLC	01043697	\$5,653.06
Property Plus Management INC	00953805	\$6,562.07
Pyramid Atlantic Inc	03353268	\$10,226.55

**Table F-1 Continued: Enterprise Zone - Real Property Tax Credits,
Levy Year 2008**

Credit Recipient	Property Account #	Credit Amount
Quaint Acres Estates LLC	03598752	\$998.93
Richard ULF	03598650	\$296.21
Robert Sugar	01046326	\$2,518.72
S & B Rutstein Family LLC	03169931	\$2,544.51
Sailendra Roy	03381461	\$15,394.42
Scott Properties LLC	01045366	\$6,286.09
Silver Spring Extra Space LLC	01045300	\$6,848.65
Silver Spring Hotel Assoc LLC	03423522	\$113,187.02
Silver Spring Metro Plaza LTD Partnership	02543624	\$272,823.53
Stephen Hanks	03449173	\$2,540.81
Stoddard LLC	00992098	\$3,533.64
Summit Building LLC	00952880	\$22,813.44
Takoma Park Land LLLP	03161046	\$84,869.48
Tastee Diner Inc	03277450	\$6,865.09
Taylor & Taylor Pershing Drive	03598672	\$523.13
Taylor & Taylor Pershing Drive	03598683	\$520.69
The Peterson Companies	03256207	\$98,434.47
The Peterson Companies	03279414	\$28,882.03
The Peterson Companies	03309113	\$190,441.02
The Peterson Companies	03381415	\$112,838.28
Tonzav Holdings LLC	03598706	\$1,245.37
United Therapeutics Corporation	03441587	\$49,648.87
Wayne Avenue LLC	03578801	\$6,011.67
WB Kennett Street LLC	03100232	\$131,289.53
World Building LLC Trustee	01045652	\$19,063.71
Total		\$1,954,346.96

**Table F-2: Arts & Entertainment District - Real Property Tax Credits,
Levy Year 2008**

Credit Recipient	Property Account #	District	Credit Amount
Brian Hewitt & Brianna Weadcock	03449140	Silver Spring	\$640.81
Patrick J Sanders	03449071	Silver Spring	\$508.31
Pyramid Atlantic Inc.	03353268	Silver Spring	\$2,556.64
Stephen T Hanks	03449173	Silver Spring	\$635.20
Total			\$4,340.96

**Table F-3: New Jobs Tax Credits
Levy Year 2008**

Credit Recipient	Property Account #	Credit Amount
Booz Allen Hamilton	03283850	\$24,534.14
Discovery*	03100232 & 03418104	\$1,113,629.74
Health Extras Inc	03318061	\$28,450.96
Healthtrax, Inc.	03352798	\$15,229.89
Marriott International	03235661 & 02897595	\$155,252.23
ProFund	03267110	\$18,724.08
Qiagen Sciences	03282822	\$60,168.90
The JBG Companies	03235661	\$23,664.31
Total		\$1,439,654.25

*Enhanced New Jobs Tax Credit

Appendix G

Summary of Estimated Silver Spring Music Venue Project Financials

AGENDA ITEM #17B

March 4, 2008

Council Worksession

MEMORANDUM

February 29, 2008

TO: County Council

FROM: Justina J. Ferber, Legislative Analyst

SUBJECT: **Cost Sharing – PDF No. 720601**
Silver Spring Music Venue – \$2,000,000
FY09-14 Capital Budget & Capital Improvements Program

- **The Planning Housing and Economic Development Committee recommends (2 to 1) that the Council approve the \$2,000,000 appropriation for the Silver Spring Music Venue in the Cost Sharing PDF as submitted.**
- **The Committee requested that Executive staff submit Subdivision Regulation Amendments (SRA) and Zoning Text Amendments (ZTA) immediately.**

Silver Spring Music Venue – \$2,000,000

This project provides capital funding of an additional \$2,000,000 for the Silver Spring music venue project for FY09. The total County contribution to the project is \$4,000,000; \$2,000,000 was appropriated in the FY08 capital budget. The project provides for the J.C. Penney site at 8656 Colesville Road in Silver Spring to be converted into a Live Nation Fillmore brand entertainment venue. Lee Development Group will donate the land to the County and the County will own the concert hall. Live Nation will lease the hall from the County. The J.C. Penney facade is historic and will be maintained.

Status of the Feasibility Study

The Department of Economic Development advises that the feasibility study is almost complete. The feasibility study was modified which has delayed its completion.

Funding

The State bond bills authorize the creation of a state debt to serve as a grant to the County Executive and County Council for the construction, reconstruction, repair, renovation, and capital

equipping of the music hall located in Silver Spring. The bond bills require the County to provide matching funds of \$4,000,000. The remaining \$2,000,000 in state bond bills is in the Governor's FY09 budget.

Funding Sources

State of Maryland	\$4,000,000
Montgomery County	\$4,000,000
Live Nation	minimum \$2,000,000
Lee Development (land)	\$3,500,000
Including LDG contribution of development management	

Financing

Executive staff is exploring the appropriate financing vehicle for this project and the impact of the debt service costs will be reflected in the debt service budget included in the Operating Budget after financing is complete. The project financing may be long-term rather than the short-term as described in the PDF.

Process

Executive staff briefed the Council on the process used for decisions regarding the Live Nation agreement on January 29, 2008. At that time the Council reviewed the estimated financials for the project (see ©2). The lease agreement between the County and Live Nation and the summary of terms with Live Nation (see ©3) were also discussed.

Staff Review of Lease and Financials

Council Staff reviewed the lease and summary of financials and many questions were answered by Executive staff. Below are some issues staff highlighted for the Committee.

Rent schedule: Council staff believes that scheduled rent increases to be paid by Live Nation to the County are low. For instance, in 5 years the rent only increases \$562 a month and after 10 years only increases \$1167 a month for 10,800 s.f. of commercial space.

Executive staff has responded that given that the music venue will generate more net revenue to the County than the originally contemplated facility, the fact that the County investment does not increase and that the tenant will be investing significantly in the building, maintaining the same rent structure committed to original operator is reasonable. The footprint of the site remains the same and the amount of investment remains the same. It is important to note that where a landlord assumes responsibility for capital and ordinary maintenance and for tenant improvements, the rent charged would be higher to reflect that. These charges are not being incurred by the County and therefore, the rent is determined to be justified. The \$7,500 per month rent escalates every 5th year by 7.5% per escalation period. In addition, Live Nation is responsible for all additional rent payments (taxes, etc.) and all costs associated with operating and maintaining the facility.

Excess Construction Costs: The tenant will be responsible for excess construction costs and is entitled to a credit against fixed rent for those costs. **Council staff does wonder how low the rent can go.**

Executive staff states that the project will be value engineered and the County has made very clear that it will not fund cost overruns. While the County does not anticipate any overruns, if Live Nation covers such costs, it would receive a credit against the rent.

Revenues: Council staff believes that the County should share in revenues similar to its authority to share profits of other projects such as the Conference Center and AFI Silver Theatre (AFI has yet to make a profit).

Executive staff has responded that it is important to understand that every deal is different. In the case of the Fillmore, the County does not bear any responsibility for any operating, maintenance, or additional capital costs (after the facility has been constructed). The building is being leased to Live Nation, and they are financially liable for all costs and expenses. The conference center on the other hand, is being managed by Marriott in accord with the terms of a Management Agreement. In that case, the County is financially responsible for any operating losses associated with the building and ongoing capital improvements – there is more risk on the part of the County, as is the case with AFI, so there is also the opportunity for reward. The deal structure with Live Nation reflects the County's intention to shift the risk associated with operating any such facility to the private sector.

Naming of the building: Council staff is not as confident about the County's absolute approval of the building name as is Executive staff. Per the agreement, consent of the landlord shall not be unreasonably withheld unless the tenant proposes to include a name associated with an alcoholic beverage. The name must contain the words Fillmore and Silver Spring.

Executive Staff states that the tenant does **not** have absolute naming rights of the building. Live Nation will operate the venue as a "Fillmore" branded venue and the name will include the words Fillmore and Silver Spring. If naming rights are invoked, any name will require the prior consent of the County, which the County must exercise reasonably. While any name including a word or symbol associated with an alcoholic beverage can be disapproved without explanation by the County. Nonetheless, if the County has a reasonable, valid objection to a name proposed by Live Nation, it may withhold its approval of such name.

Financials: Council staff believes that the cost avoidance items included as "other revenues" in the summary of financials should not be included except for the tenant lease payment. Items included in the Cost Avoidance list are not normally cited as revenues. Exclusion of these items will decrease the projected rate of return on investment.

Executive staff stands by their financial summary.

Staff Discussion

The feasibility study for the music venue project has not been completed and there is no specific information on design of the facility or a proposed development agreement or guarantee from the state for another \$2,000,000 or on amendments to liquor licensing laws. The PDF has no description other than \$3,850,000 for Live Nation to be funded in the Economic Development Fund.

Staff believes the language in the PDF inserted by the Council last year should remain: "Funds for the music venue in Silver Spring will not be expended until an agreement is reached between the development partners and the County which includes Council review and approval of the general business terms."

The Live Nation deal is what it is. Staff recommended that the Committee approve the additional \$2,000,000 in the Cost Sharing PDF for the deal to move forward.

Committee Discussion February 19

Councilmembers Ervin and Trachtenberg joined the Committee discussion. Committee members expressed concern that the rent to be charged to the tenant was too low and market rent was not being charged in comparison to rents of other entertainment venues. Committee members also expressed concern about cost overruns and were assured that the project would be value engineered and that the County has made it clear that it will not fund any cost overruns. Committee Chair Elrich reiterated his view that the process was flawed.

Committee members were advised that not only were zoning text amendments (ZTA) required but a subdivision regulation amendment (SRA) was needed for the project. The Committee asked for Executive staff to submit the SRA and ZTA to the Council immediately. Councilmember Ervin stated that the State match would be in jeopardy without an appropriation from the County and that everything is moving in parallel; the State, County, and Planning Board. Councilmember Trachtenberg suggested that plans were needed to address parking policy and safety issues. Committee members agreed (3-0) to defer their recommendation in anticipation of the ZTA and SRA related to the Silver Spring Music Venue project.

Committee Discussion February 28

Committee members Floreen and Knapp agreed that the Committee should recommend approval of the \$2,000,000 appropriation for the Silver Spring Music Venue as submitted by the County Executive. They noted that the previous Committee discussion was to assure that the land use elements of the project were moving in tandem with the funding and that Executive Staff has assured Councilmembers that they are moving quickly on the land use pieces of the project.

Committee Chair Elrich voted against the recommendation for the appropriation. He felt that the project was not an economic development project as the venue will only be open 1 to 2 nights a week and will not provide the continuing economic stimulation needed by restaurants

and other services. He questioned the process used for the deal and was troubled by the low rent, possible cost overruns, lack of County share in naming rights and share in rental paid by other users.

- The Planning Housing and Economic Development Committee recommends (2 to 1) that the Council approve the \$2,000,000 appropriation for the Silver Spring Music Venue in the Cost Sharing PDF as submitted.
- The Committee requested that Executive staff submit Subdivision Regulation Amendments (SRA) and Zoning Text Amendments (ZTA) immediately.

Attachments: Cost Sharing PDF -- Live Nation Project - \$2,000,000- ©1
Summary of Estimated Music Venue project Financials ©2
Summary of Live Nation Terms ©3

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Cost Sharing: MCG -- No. 720601

Category Culture and Recreation
Subcategory Recreation
Administering Agency M-NCPPC
Planning Area Countywide

Date Last Modified
Required Adequate Public Facility
Relocation Impact
Status

January 11, 2008
No
None.
On-going

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY07	Est. FY08	Total 6 Years	FY09	FY10	FY11	FY12	FY13	FY14	Beyond 6 Years
Planning, Design, and Supervision	882	582	300	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0
Site Improvements and Utilities	4	4	0	0	0	0	0	0	0	0	0
Construction	0	0	0	0	0	0	0	0	0	0	0
Other	7,394	0	3,144	4,250	3,550	700	0	0	0	0	0
Total	8,280	586	3,444	4,250	3,550	700	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Short-Term Financing	3,850	0	300	3,550	3,550	0	0	0	0	0	0
Current Revenue: General	2,190	586	1,604	0	0	0	0	0	0	0	0
G.O. Bonds	140	0	140	0	0	0	0	0	0	0	0
Economic Development Fund	2,100	0	1,400	700	0	700	0	0	0	0	0
Total	8,280	586	3,444	4,250	3,550	700	0	0	0	0	0

DESCRIPTION

This project provides funds for the development of non-government projects in conjunction with public agencies or the private sector. County participation leverages private and other public funds for these facilities. Prior to disbursing funds, the relevant County department or agency and the private organization will develop a Memorandum of Understanding which specifies the requirements and responsibilities of each.

COST CHANGE

Increase represent County's contribution to match the State's funding for the music venue in Silver Spring.

JUSTIFICATION

The County has entered into or considered many public-private partnerships, which contribute to the excellence and diversity of facilities serving County residents.

OTHER

For FY09, County participation is anticipated for the following projects in these amounts:

Music venue in Silver Spring: \$3,550,000 (\$150,000 was expended out of the Economic Development Fund in FY07 for a feasibility study for a music venue, and \$300,000 will be expended in FY08, bringing the total County match to the State to \$4,000,000)

or FY10, County participation is anticipated for the following projects in these amounts:

Adventist HealthCare: \$700,000

Funds for the music venue in Silver Spring will not be expended until an agreement is reached between the development partners and the County, which includes Council review and approval of the general business terms. The County will own the facility and will fund its contribution with short-term financing proceeds consistent with the terms of the lease agreement with the operator of the music venue.

The Adventist HealthCare Project provides incentive funding to assist with the construction of a medical office building at 8702 Flower Avenue in the Long Branch community. With the announced departure of Washington Adventist Hospital from Takoma Park, construction of this site underscores the County's commitment to access to health care in the Long Branch area. As a part of a three year commitment, the County is providing \$700,000 in FY07, in FY08 and FY10 for a total of \$2.1 million in current revenue from the Economic Development Fund (EDF). The final \$700,000 payment was originally scheduled for FY09 but was deferred to FY10 due to a delay in the project. EDF funds will not be expended until there is an agreement between Adventist HealthCare, the property owner, and the County Executive which includes specific performance requirements. The requirements should address the length and terms of the lease; public use of the garage, the use of the building for medical-oriented businesses, and other EDF requirements including fiscal analysis and job generation. DED, the property owner, and Adventist HealthCare will keep the Council informed of modifications to the project and the status of litigation.

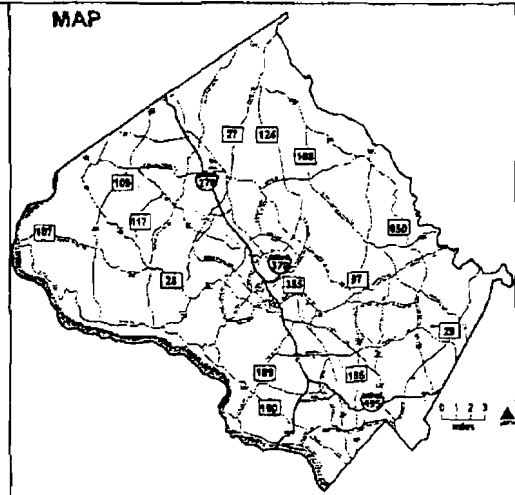
APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY06	(\$000)
First Cost Estimate		
Current Scope	FY08	6,280
Last FY's Cost Estimate		6,280
Appropriation Request	FY09	2,000
Appropriation Request Est.	FY10	700
Supplemental Appropriation Request		0
Transfer		0
Cumulative Appropriation		5,440
Expenditures / Encumbrances		1,882
Unencumbered Balance		3,558
Partial Closeout Thru	FY06	0
New Partial Closeout	FY07	0
Total Partial Closeout		0

COORDINATION

Private organizations
State of Maryland
Municipalities
Montgomery County Public Schools
Community Use of Public Facilities

MAP



Summary of Estimated Silver Spring Music Venue Project Financials

Information and Assumptions

Current (FY08) Assessed Value of the Land	\$3,885,900
County Share of Capital Improvements	\$4,000,000
State Share of Capital Improvements	\$4,000,000
Estimated Assessed Value after Capital Improvements ¹	\$9,000,000
Equipment Installed at Tenant's Cost (Personal Property)	\$2,000,000
Estimated Real Property Tax Rate (per \$100 AV)	\$1.332
Estimated Personal Property Tax Rate (per \$100 AV)	\$2.669
Estimated Number of New Jobs in Montgomery County	30
Estimated Average Annual Salary of the New Jobs	\$45,000
Tenant's Annual Lease Payment to the County	\$100,641

Capital Cost (over 20 Years)

Amount Financed	\$8,000,000
Estimated Interest Rate	7.0%
Term (Years)	20
Total Cost over 20 Years	\$15,102,868
Principal	\$8,000,000
Interest	\$7,102,868
ANNUAL Carrying Cost (Average Annual Interest Cost)	\$355,143
State Share of Carrying Cost (rounded)	\$177,572
County Share of Carrying Cost (rounded)	\$177,572

Revenues (Annual)

STATE TAXES

State Annual Income Tax ²	\$123,495
State Retail Sales & Use Tax ²	\$633,567
State Real Property Tax ²	\$24,500
State Alcoholic Beverages Taxes ²	\$11,251
State Tax Revenues	\$792,813

COUNTY TAXES

County Real Property Tax (net of tax credits, avg for 20 years)	\$73,768
County Personal Property Taxes	\$53,380
County Income Tax	\$26,199
County Fuel-Energy Tax	\$7,735
County - Other Revenues	\$12,769
County Tax Revenues	\$173,851

OTHER COUNTY REVENUES/COST AVOIDANCE

Tenant Fit-out	\$188,786
Tenant-Paid Maintenance	\$186,870
Tenant-Paid Utilities	\$211,048
Major Systems Replacement Reserve Fund	\$125,000
Celebrate Silver Spring Payment	\$30,000
County Use of Facility (Free of Charge)	\$48,367
Community Use of Facility (Discounted Charge)	\$132,060
Complimentary Tickets	\$28,214
County - Tenant's Annual Lease Payment	\$100,641
Other County Revenues	\$1,050,984

ANNUAL Revenues	\$2,017,649
-----------------	-------------

Net Effect on Annual State Revenues (Taxes LESS Carrying Cost)	\$615,242
Net Effect on Annual County Tax Revenues (Taxes LESS Carrying Cost)	-\$3,720

Net Effect on Annual State and County Revenues (Revenues LESS Carrying Cost)	\$1,662,506
--	-------------

State Rate of Return on Investment (MIRR) - (All Revenues)	9.9%
County Rate of Return on Investment (MIRR) - (TAXES ONLY)	1.8%
County Rate of Return on Investment (MIRR) - (All Revenues)	11.4%

Combined State and County Rate of Return on Investment (MIRR)	11.2%
---	-------

¹ Only 25% of the Current (FY08) Land amount will be used.

² State revenues (except for alcoholic beverages taxes) used are RAM outputs (Maryland Tourism) for the Direct and Indirect impact of the original project at this site.

Note: County Revenues per the Economic Development Fund Fiscal Impact Model, except:

(a) Personal Property Taxes based on current tax rate and Live Nation's equipment cost
(b) Real Property Taxes are net of Arts & Entertainment District Enterprise Zone and Parking Lot District Tax Credits for which the property may be eligible.

LIVE NATION TERMS

Investments:

- Property -- developer at estimated \$3.5 Million (plus developer is contributing development management)
- State -- \$4 Million
- County -- \$4 Million
- Live Nation -- minimum of \$2 Million

Maintenance: Live Nation operational and capital maintenance

Taxes: Live Nation

Rent: \$90,000/year net w/periodic escalation

Term: 20 years w/2 five year renewal options

Use: First-class live entertainment venue

Add'l. Fiscal benefits:

- annual \$30,000 payment to Celebrate Silver Spring which provides programming and events in downtown Silver Spring.
- guaranteed a minimum of 36 free and heavily subsidized County and Community uses of the facility each year.
 - The County is assured of three free facility uses
 - three free charitable uses
 - 20 community uses at 20% of facility market rate not to exceed \$3000/use for the life of the lease
 - 10 community uses at 40% of facility market rate not to exceed \$3000/use for the life of the lease.
 - Each community or county use beyond the 36 uses will be at \$3000/use (compared with facility market rate which is expected to be more)
- 6 complementary tickets to each Event
- an annual auction to be conducted and sponsored by Live Nation at which it will sell autographed memorabilia from each event that it puts on. The proceeds from the auction will go to a charitable purpose identified by the County. This annual auction is expected to be quite successful because it draws upon Live Nation's experience and expertise at putting on fund raising events. It has successfully produced programs such as Live Earth concerts in New York, London, Washington, DC, Shanghai, and Hamburg, the Concert for Diana, the Paul Simon Library of Congress Concert, the recent Virginia Tech benefit concert and the Pray for Peace concert at Washington Cathedral in October.
- The music venue will be a Fillmore brand which has enjoyed success in cities such as Miami, New York City, San Francisco, Philadelphia and Detroit. Live Nation has recognized booking power to attract and program quality acts at the venue.

3

Add'l terms:

- Events will conclude by 1 am and alcohol sales will stop 1 hour prior
- County will own the facility and tenant build-out except for equipment at end of term
- Minimum of 70 Events/year with objective of 150 Events/year
- Booking policy at venue – "Tenant covenants and agrees to book Events each calendar year that are balanced so as to ensure a reasonably proportioned blend of cultural experiences including varied types of music and other live performances appealing to the varied tastes of the population including, without limitation, popular, rock and roll, Latin, blues, soul, jazz, folk, and country music."



Montgomery County: The IDEALocation

Strategic Plan for Our Community's Quality of Life and Economic Development



Montgomery County: The IDEALocation

Strategic Plan for Our Community's Quality of Life and Economic Development

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vision

The Economic Development Vision for Montgomery County is to:

Foster a growing, diversified and innovative economy, providing opportunity and prosperity for businesses and residents alike, while sustaining the County's quality of life.

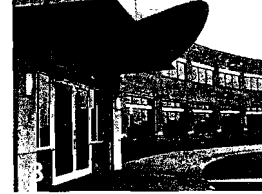
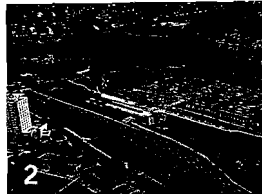
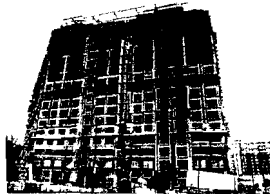
Executive Summary:

Montgomery County's quality of life and public services are dependent on the ongoing prosperity of the local economy, with economic success and a high quality of life mutually reinforcing. Economic development provides future employment opportunities for children raised and educated in the County, and expands the tax base — thus financing the caliber of public services expected by residents.

The following Strategic Plan for Economic Development was developed during the November, 1999 — December, 2002 timeframe under the leadership of the Economic Advisory Council. Over 100 local business, educational, and non-profit leaders provided valuable assistance in identifying guiding principles and objectives, and in pinpointing actions that would address the challenges and opportunities before the County.

The Plan is designed to provide direction and focus to the public policies and programs that will have an impact on our community's ability to provide jobs for its residents and opportunities for its entrepreneurs. The Plan includes a strategic focus on knowledge-based industries that take advantage of the County's existing employment base and its highly skilled work force.

The means by which the County will achieve this vision is captured by the following strategic goals.



Strategic Goals:

1 PROGRESSIVE BUSINESS CLIMATE

- Cultivate a business climate that supports economic growth, new job creation and commercial development.

HIGHEST PRIORITY: Promote long-term expansion of the County's commercial facilities by adding adequate new commercial space.

2 TRANSPORTATION INFRASTRUCTURE

- Stimulate the provision of transportation infrastructure with necessary long term financing to support an improved and more efficient transportation system — improving services to residents and helping County firms attract and retain the needed work force.

HIGHEST PRIORITY: Support transportation improvement programs that are consistent with the County Executive's "Go Montgomery!" initiative and the County Council's 10-year Transportation Plan.

3 GLOBAL CENTER FOR TECHNOLOGY LEADERSHIP

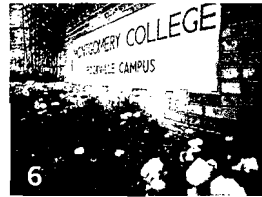
- Provide leading-edge infrastructure and incentives to promote the expansion and global leadership in bio-sciences and health care; information technology and telecommunications; and related professional services.

HIGHEST PRIORITY: Implement mechanisms that will result in substantial capital being made available annually from public and private sources to fund entrepreneurs pursuing the commercialization of scientific ideas — the medicine, therapies and diagnostics of tomorrow.

4 STIMULATE EXISTING BUSINESSES AND ENTREPRENEURSHIP

- Foster the growth of existing businesses and enhance opportunities for small businesses, minority-, female-, and disabled-owned businesses and entrepreneurship; in addition, work to ensure that existing businesses are not adversely affected by revitalization.

HIGHEST PRIORITY: Expand the County's incubator program that supports start-up firms in biotechnology, information technology, and related high-growth industry sectors.



MARKETING AND BUSINESS PROMOTION 5

- Market the unprecedented business opportunities in the County and enhance County-sponsored business services in a concerted effort to attract new firms and expand the existing business base.

HIGHEST PRIORITY: Maintain the annual appropriation for economic development incentive activities, such as grant and loan programs, at a level that will allow the County to attract and retain businesses critical to the County's economic future.

WORLD-CLASS WORK FORCE 6

- Promote the development and recruitment of a skilled work force, trained in today's technologies and management practices.

HIGHEST PRIORITY: Expand the array of collegiate education programs in the County through an enhanced partnership among the University of Maryland at Shady Grove, The Johns Hopkins University, and Montgomery College.

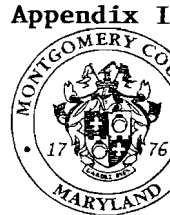
QUALITY OF LIFE 7

- Support housing and community development and continued excellence in public services, and promote richness and vibrancy in the arts and culture, recreation and rural life, and the environment, as vehicles to enhance the County's quality of life.

HIGHEST PRIORITY: Enact public policies and regulations that result in the completion of 45,000 new housing units in the next decade, accomplishable by pursuing the objectives in the Housing Policy for Montgomery County.

The plan is ambitious, and will require enhanced public-private partnerships, political commitment and recognition by all citizens that successful economic development will enhance the quality of life in the County. Through its successful implementation, Montgomery County will be able to maintain its strong employment and tax base, and provide the caliber of services and community amenities that its citizens have come to enjoy.

Bud, Tim, Joe



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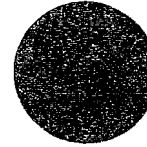
NAM
CC
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Isiah Leggett
County Executive

Pradeep Ganguly, Ph.D.
Director

MEMORANDUM

December 12, 2008



TO: Mike Knapp, Chair
Planning, Housing and Economic Development Committee

FROM: Pradeep Ganguly, Director *Pradeep*
Department of Economic Development

SUBJECT: *A Vision for Economic Development in Montgomery County*

2008 DEC 12 PM 3:13

As we have discussed over the past several months, the Department of Economic Development has been working diligently to develop the attached *Vision for Economic Development in Montgomery County*. The attached strategy attempts to look beyond the problems of today and, instead, takes a long-term view of the County's economy.

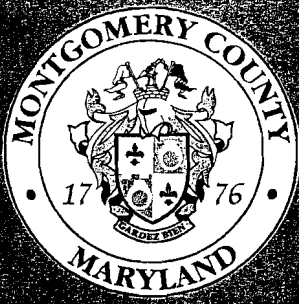
Montgomery County and the nation are significantly impacted by the national recession. We understand the need to address current economic challenges and opportunities. We are developing supporting, but distinct, action plans for an economic stimulus package and business retention, as well as for harnessing emerging opportunities in biosciences and green technology/clean energy.

I am also pleased to inform you that the County Executive will soon be re-establishing the Economic Advisory Council of Montgomery County, a private sector committee, to provide advice and guidance to the County Executive and the Department of Economic Development. The EAC will recommend the most effective ways to pursue our economic development vision and goals, and will recommend modifications to this strategy as our economic climate changes and new opportunities arise.

I want to thank you and the PHED Committee for your input and guidance in this process, and look forward to the opportunity to discuss this report further.

Attachment

cc: Marc Elrich, Councilmember
Nancy Floreen, Councilmember
Tim Firestine, Chief Administrative Officer
Jennifer Hughes, Special Assistant to the County Executive
Justina Ferber, Legislative Analyst



A Vision For Economic Development in Montgomery County

Isiah Leggett
County Executive

Timothy Firestine
Chief Administrative Officer

Pradeep Ganguly, Ph.D.
Director, DED

*Prepared by the
Montgomery County
Department of Economic Development*

December, 2008

I. Montgomery County's Economic Development Vision

County Executive Leggett's economic development vision for Montgomery County is a *globally competitive and highly diversified knowledge-based economy* that provides for the retention and growth of existing companies, stimulates new job creation and enhances entrepreneurial opportunities.

Montgomery County's large global corporations and existing small businesses form the solid economic base that provides our residents with an ongoing high quality of life. Our high quality of life, in turn, helps retain, attract and create businesses of all sizes in all sectors.

In order to strengthen our leadership position in the world economy, we must adapt to continually changing regional, national and global economic

As the County's existing sectors mature and new technology sectors—such as clean energy/green technology—emerge, new business opportunities will evolve.

conditions, especially during the current national downturn. As the County's existing sectors mature and new technology sectors such as

clean energy/green technology emerge, new business opportunities will evolve. Where the goal once was innovative research or the development of emerging technologies, the focus should now broaden to the commercialization and deployment of new products, processes and technologies.

This vision will be implemented within the parameters of a complex regional, national and global framework.

As with large corporations, Montgomery County's small businesses can no longer look solely within the boundaries of our jurisdiction to grow, but must consider their position in the region and the world. Montgomery County Government's role is to create an enabling business environment and to provide the tools with which our companies — from all sectors and sizes — can succeed in today's marketplace.

II. The County's Economic Development Mission

Working with its many public and private partners, *the Department of Economic Development (DED) will retain, attract and create businesses* that support a broad array of employment opportunities; strategically grow its knowledge-based economy and key industry clusters; and expand the County's tax base.

The County will undertake marketing, business development, technical assistance, skilled work force development, advocacy, outreach, partnering, capital projects, and financing activities in support of this mission.



III. Economic Development Goals

The following broad economic development goals form the framework for the County's Economic Development Strategy:

Goal One:

Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy

Goal Two:

Adapt to a more competitive business climate by creating an environment where knowledge-based industries and small businesses thrive

Goal Three:

Foster creative and strong partnerships with academia, the federal research community, the private sector and various levels of government to pursue innovative projects, policies and best practices that support business growth and expansion

Goal Four:

Establish global linkages to facilitate business opportunities abroad, attract international investment to Montgomery County, and foster trade and joint ventures for Montgomery County businesses



Goal One: Retain and grow existing businesses, strategically attract new ones, and enhance entrepreneurial opportunities; work to ensure that all business sectors benefit from the knowledge-based economy

Retention of existing businesses, especially during trying economic times and heightened competition from other jurisdictions, will be the top priority

Alongside retention, business attraction will remain a high priority.

for DED. In an economy with constant technological advances and changing market conditions, businesses must have an environment that allows them to take full advantage of new opportunities. The County must work to create a more positive business climate.

Alongside retention, business attraction will remain a high priority. Selected clusters in which the County has a comparative advantage, including life sciences, communications, professional services and government contracting will continue to be a focus. However, strategic opportunities in other sectors such as clean energy and green technology, which contribute to a high quality of life will also be part of the County's economic development strategy.

Action Items for Goal One

Business Retention and Attraction

- Execute an aggressive business visitation program for major accounts and companies that have high-wage jobs in the target market segments
- Implement a short-term retention strategy, including an economic stimulus package for local businesses, to help them through the current economic downturn
- Re-establish an Economic Advisory Council to provide ongoing guidance to the County and DED on economic development matters
- Proactively recognize the accomplishments of existing businesses
- Organize networking seminars and roundtables with targeted groups of County businesses
- Facilitate communication and interaction between Montgomery County companies in order to promote partnerships, tech transfer and increased local to local business or commerce
- Facilitate federal contracting forums, in partnership with County chambers of commerce and other business organizations
- Create more opportunities for Montgomery County based firms to compete for County contracts, and develop procurement strategies with other governmental agencies and large private sector firms
- Develop and implement a mass marketing strategy targeted to resident businesses, including broadcast e-mails, newsletters, business communiqués and article placements, an improved web site, videos, advertising campaign, and increased participation in events of local business organizations
- Create a "Life Sciences Team" and an "Advanced Technology Team" (including green technology) within DED for more targeted marketing and business development
- Aggressively recruit firms in targeted industry sectors, especially bio-pharma, aerospace, communications, advanced technology applications, green technology, professional services and government contracting
- Grow non-tech clusters including financial services, non-tech health services, professional services, and high-end hospitality products and services
- Ensure that agricultural businesses can benefit from existing and emerging technologies

- Create a one-stop small business center (and online portal) in DED to help new entrepreneurs as well as existing businesses

Marketing

- Create a communications and external relations team, and staff it with business development specialists in tech transfer, business communications and marketing
- Proactively promote the County as the 'Smart' location for business in targeted industry publications, selected media, and in selected markets in North America, Europe, Asia, the Middle East and South America
- Upgrade and enhance the DED web site and collateral materials to improve marketing and recruitment efforts
- Double the number of participants in the Mentorship Program

Finance

- Increase the base of financial incentives for existing businesses, such as the Technology Growth Fund, Small Business Revolving Loan Fund and the Impact Assistance Fund, and seek new incentives for bio-pharma, nanotechnology, green technology and other targeted industries
- Retool loan and grant fund evaluation criteria to prioritize financial support for emerging technology companies, in particular green technology businesses
- Increase the number of micro-loans issued

Workforce Services

- Pursue workforce initiatives that benefit workers in targeted industry clusters as well as workers in non-tech service sectors:
 - » Advocate for greater funding for Maryland Business Works
 - » Open a specialized one-stop career center

focused on life sciences and technology careers

- » Offer entrepreneurial training through MontgomeryWorks
- » Organize networks and job clubs for specialized industries in community locations (e.g., libraries)

Smart Growth and Sustainable Design

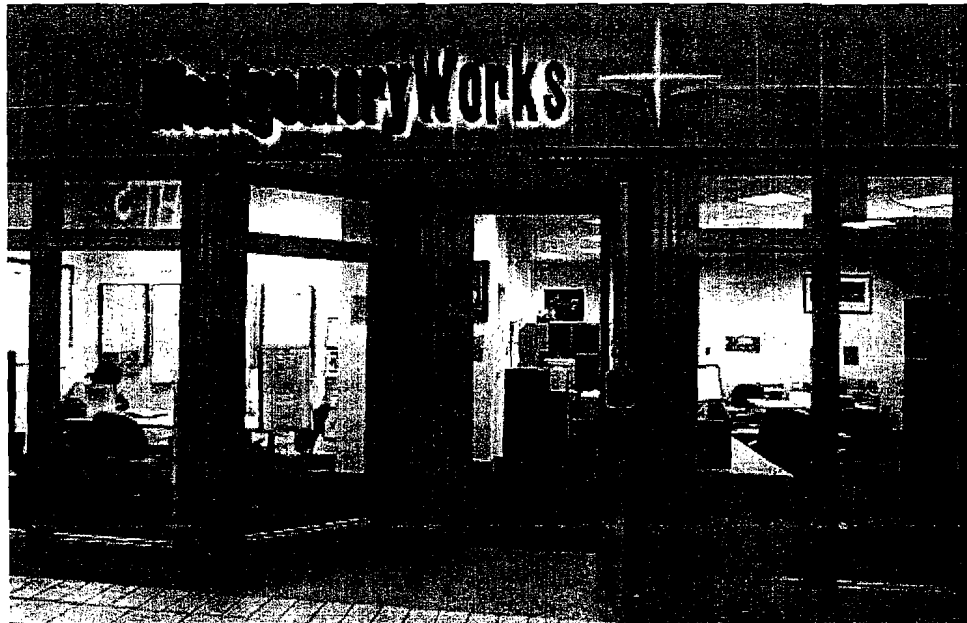
- Advance the economic development opportunities created by County's green building laws and recently enacted climate change legislation
- Emphasize smart-growth and sustainable design principles to enhance economic vitality and improve the local quality of life through higher density and mixed-use projects
- Support the County's Smart Growth Initiative, with a focus on dense transit-oriented development; affordable, workforce and market-rate housing; high-wage jobs in biosciences and technology; and new higher education opportunities
- Promote the County's agricultural land preservation efforts through the newly enacted Building Lot Termination program (BLT). Under the program, private developers can buy BLTs in the County's Agricultural Reserve in exchange for greater density in Transit Mixed-Use zones

Central Business District Revitalization

- *Wheaton:* The County is working collaboratively to foster the redevelopment and revitalization of Wheaton's central business district. A market study will be help assess Wheaton's competitive advantages, and provide recommendations for attracting companies and jobs to the CBD

To date, the County has:

- Created a new Division of Business Empowerment in the Department of Economic Development
- Established, in partnership with the Office of Procurement, the successful Local Small Business Reserve Program, through which eligible County-based small businesses can bid exclusively on selected County contracts
- Created a new Micro-enterprise Loan Program, which to date has funded three loans totaling \$45,000
- Closed on seven business assistance projects during the first months of FY09. DED staff is actively working with an additional 152 prospects on retention, attraction or expansion efforts
- Closed on 38 Economic Development Fund grant and loan transactions totaling \$1,954,621 in FY08 and during the first months of FY09. These County funds have in turn leveraged an estimated \$25,239,500 in external investments
- Re-established "*Business Appreciation Week*" to help understand the current challenges facing businesses and their plans for the future. In April 2008, County staff and partners visited over 400 companies to recognize their achievements, learn about their current challenges and opportunities and provide information on County resources
- Organized quarterly forums with "C- level" business leaders and the County Executive
- Hosted six forums with the County Executive and small and minority businesses
- Sponsored a small business conference in the spring of 2008 attended by over 300 entrepreneurs



Goal Two: Adapt to a more competitive business climate by creating an environment where knowledge-based clusters thrive

Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular industry. Montgomery County's established clusters include: biosciences, information technology/advanced technology, electronics, aerospace, satellite and communications, hospitality, and government contracting. The County's emerging clusters include: green/clean technology, nanotechnology, financial services and bio-pharma.

An important component of cluster development is a ready supply of knowledge-workers. Montgomery County's workforce development efforts must adjust to meet its 21st century demands. This includes working regionally with our academic and business partners to identify and develop the talent needed for knowledge-based industries.

Action Items for Goal Two

Industry Clusters

- Enhance economic development incentive programs, and better align attraction and retention efforts with incentives, tax policies and regulations that benefit the growth and development of clusters
- Cultivate existing and emerging industry clusters by forming taskforces that will include business, academia, and federal, state and regional government entities. Each taskforce will identify ways the County can grow and strengthen the cluster
- Assign a highly-qualified business development specialist to the County's biosciences cluster, to provide greater support and resources to this critical industry sector
- Develop programs to provide technical and financial assistance to support spin-off

technologies from existing clusters

- Foster the growth of the County's emerging nanotechnology cluster by facilitating links between industry, research, investor and regulatory communities
- Develop a green economy strategy and nurture a green/clean technology cluster

Capital Projects and Infrastructure

- Working with partners in the private sector and government, develop capital projects that will enhance our quality of life, have positive spill-over effects and are responsive to the needs of key industry clusters. Strategic initiatives currently being pursued include:
 - » The expansion of the Shady Grove Life Sciences Center
 - » The development, in partnership with the Johns Hopkins University, the University System of Maryland and others, of a global science center in the Gaithersburg West planning area where research can be translated into marketable products and processes within the context of a vibrant live/work community
 - » The redevelopment of the 115-acre Site II property, which neighbors the consolidated FDA campus and the proposed Adventist Hospital in East County, as a mixed use science and technology-focused development and international center for the discovery and manufacture of new drugs and vaccines
 - » A science and technology park at the Germantown campus of Montgomery College that will harness the synergies of academia, government, health care and business

Montgomery County's workforce development efforts must meet 21st century demands.

- » A multi-use arena and a live music/entertainment venue
- Work with other key County agencies (M-NCPPC, Department of Permitting Services, Department of General Services) to fast track strategic County economic development projects
- Engage in preliminary planning for the County's sixth incubator, a proposed LEED-Gold facility in the new Site II development in East County

Tech Transfer and Commercialization

- Support the commercialization of new technology and high-profile pilot programs for the deployment of existing technologies that have multiple industry applications
- Showcase local technology in pilot projects and adopt technology which improves the local government's efficiency, finances or quality of life

Marketing

- Adequately fund County marketing campaigns, and align DED advertising programs with the new knowledge-economy strategies
- Expand DED's successful "*I Am Montgomery*" marketing campaign, which showcases existing businesses and the reasons they chose to locate in Montgomery County
- Aggressively market the County regionally, nationally and globally in selected media
- Selectively participate in regional, national and global biotech, IT/AT, aerospace and other trade shows
- Enhance the marketing features of DED's web site

Workforce Development

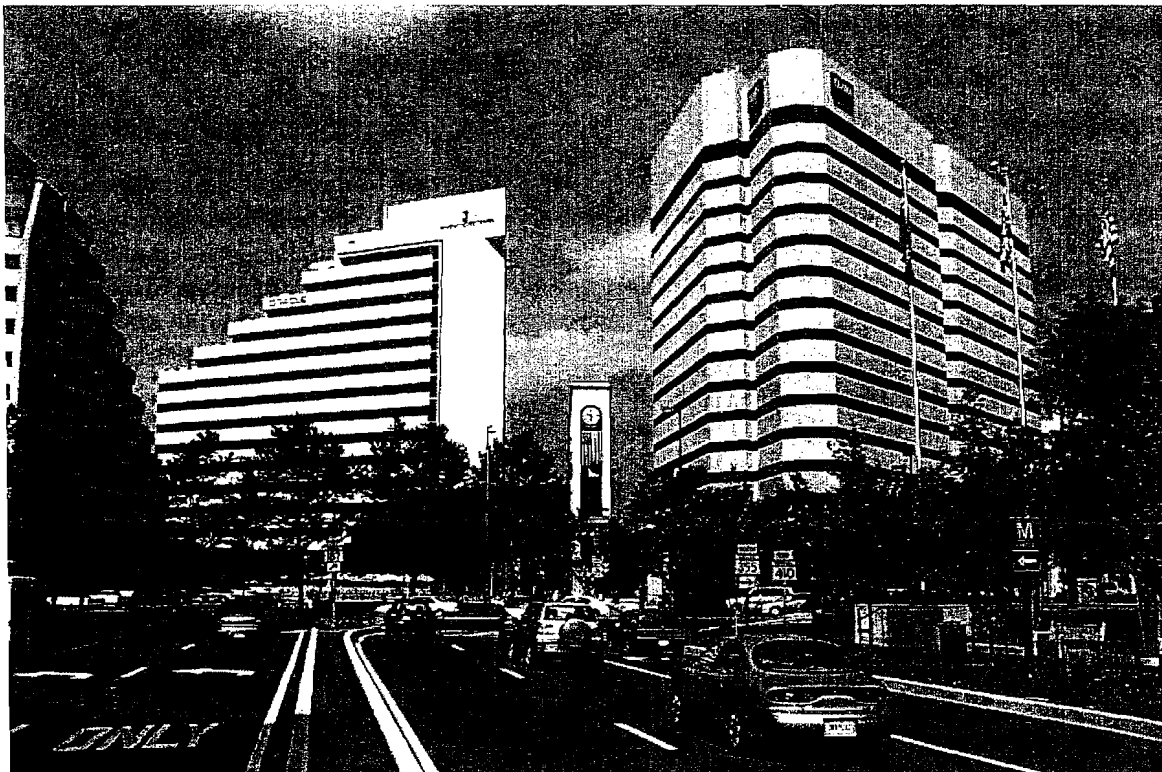
- Enhance the development and availability of knowledge workers through specialized efforts to recruit workers with the skills needed for targeted industries and provide tailored training
- Work with the academic and business community to align workforce services with targeted industry clusters, and actively seek industry input in the development of training curricula and course offerings
- Work with private sector partners to provide "teacher employment" at technology and biosciences companies
- Increase mentoring of young people and provide opportunities for job shadowing and internships in technology and biosciences companies
- Create opportunities for professionals from County technology, biosciences, and other companies to give presentations in County schools and to participate in career fairs
- Create a 'reverse science fair', in which Montgomery County tech and biosciences companies develop experiments/displays about their work, and visiting middle school and high school students become the judges

Business Innovation Network

- Continue to expand the County's successful incubator network and provide seed funding

Accomplishments to date:

- The new *Biosciences Task Force* has been formed, and work is under way. Over the coming year the Task Force will assist the County in the development of a Biosciences Strategy, which will articulate a vision and recommended actions to help Montgomery County maintain and expand its position as a world leader in life sciences, clinical and translational research and product delivery
- The County has begun work to develop a long-term strategy to harness emerging opportunities in green technology. The County is forming a green/clean technology taskforce, and is working with a public-private coalition to offer resources to foster the development of the new Maryland Clean Energy Center. A consulting team will work with the task force to assess the County's "status" in the green technology industry, identify competitive forces, and recommend a "10-point plan" for the successful growth of green industries in Montgomery County
- Expanded the County's nationally renowned Business Innovation Network. The County's newest bioscience/technology incubator opened in October, 2008 on the Germantown campus of Montgomery College. The Network's five facilities comprise 147,000 square feet of office, lab and meeting space, including 35 wet labs. These facilities currently house 125 tenants, providing 400 jobs with an average annual salary of \$75,000
- The Network has graduated 88 companies, 71 of which are still operating. Graduate companies have created 1,600 jobs and occupy over 400,000 square feet of commercial space in the County
- MontgomeryWorks Business Services team has visited over 500 businesses, posted over 2,000 jobs listings, conducted nearly 200 individual employer recruiting events, over 20 multiple employer "forums" and six multiple employer job fairs



Goal Three: Foster creative and strong partnerships with academia, federal researchers, the private sector, non-profits and various levels of government to pursue innovative projects, policies and best practices and support business growth and expansion

One of Montgomery County's key competitive advantages is the presence of high quality academic and federal institutions in the region that train and attract top researchers and professionals. The transfer of the rich reservoir of research and intellectual property (IP) that comes out of these institutions

The County will facilitate the transfer and translation of knowledge and IP.

to the private sector is key to the County's economic success. The County must facilitate the transfer of this

knowledge and IP and bring these diverse groups together. In addition, the County needs to focus special attention on its workforce, which requires a broad range of skills to meet the needs of local businesses.

Action Items for Goal Three

Policy Framework

- Coordinate policies with other governmental entities to ensure a supportive environment for cluster development and small business development
- Work with M-NCPPC to ensure that transit-oriented development occurs around our Metro stations, and that businesses have input in the County's plans for growth
- Advance the presence of higher education and ancillary research facilities at the Universities at Shady Grove, Johns Hopkins University, the University System of Maryland and Montgomery College

Partnerships/Networks

- Engage in public-private projects to revitalize the County's town centers and provide for strategic redevelopment opportunities
- Strengthen the Federal Technology Network, and partner with the Federal Laboratory Consortium for Technology Transfer to help move technologies and research into the marketplace
- Strengthen the County's partnerships with business organizations and chambers of commerce

BRAC

- Work with the County Executive's office to ensure that BRAC consolidations in Bethesda and other parts of the County create opportunities for County-based firms and create the necessary infrastructure to support that growth

Workforce Development

- Continue to organize and sponsor events/conferences that help retain post-doctoral level scientists in the County
- Work with technology companies to train dislocated workers, low-income adults, older workers, disadvantaged workers and youth
- Work with businesses and educational institutions, especially Montgomery College, the Universities at Shady Grove and Johns Hopkins University, to ensure that skills needed by emerging industries are identified and become a part of educational offerings

Finance

- Rebuild and enhance the Economic Development Fund so that DED can leverage its resources with State of Maryland funds, including DBED, TEDCO, MEDCO, MARBIDCO and others, to attract, retain and expand businesses in key industry clusters

- Share information about entrepreneurs with prospective venture capitalists and angel investors, and facilitate new companies' access to financial resources

Accomplishments to date:

- The County sponsored the NIST/UMBI October 2008 Conference: "Accelerating Innovation in 21st Century Bioscience," in which over 400 scientists from around the globe participated
- The FedTechNet, established with the assistance of the Federal Laboratory Consortium (FLC), is a County supported network that will assist County based federal labs establish new direct links with local businesses interested in technology transfer and commercialization opportunities
- DED is actively participating in the FLC's Washington Area Working Group, as well as the FLC Mid-Atlantic Region Working Group. DED will host FLC's bioinformatics conference in January, 2009. This effort will focus on the lab opportunities at NIH and NIST
- The Montgomery County Innovation Institute is a new pilot program that will match federal labs with private sector interests. It will align the FedTechNet with Montgomery County businesses, including the Business Innovation Network and small, minority and women-owned firms



Goal Four: Establish global linkages to facilitate business opportunities abroad and to attract international investment in Montgomery County

Globalization has increased the pressure on regions throughout the world, pushing them to increase their competitiveness. A cluster's ability to develop a dynamic international network is important to its competitiveness. Companies that have cultivated strong networks internationally can tap into them for business intelligence and marketplace trends.

Research shows that high tech companies are leveraging international markets earlier in their development than in previous years.

Business development missions will target selected U.S. and strategic international markets.

Business development missions should target selected U.S. states as well as international markets such as Canada, Europe, Israel, selected Asian nations (including Japan, China, India, Korea and Taiwan) and South America (Brazil). These missions should be driven by data intelligence, partnerships and business potential.

Action Items for Goal Four

Partnerships/Networks

- Facilitate international networks for County-based businesses so that they can benefit from emerging market trends, business intelligence and global opportunities
- Continue to be an active member of the World Trade Center Institute, the Tech Council of Maryland and other global organizations that organize regional and international networking events. Amongst other events, DED will continue to sponsor the annual Embassy Day in Montgomery County
- Strengthen relations with international organizations that have business ties to Europe, Asia and Latin America (such as the KOTRA, FICCI, CII, CBA, GAIBP, etc.)

- Build strong relationships with County-based international entrepreneurs to leverage networks in their countries of origin

Marketing and International Outreach

- Leverage County companies' international connections, and undertake selective marketing campaigns in those markets
- Capitalize on the County's unique demographic profile, which provides local and international companies with employees well-versed in multiple cultures and languages
- Focus marketing and promotional activities in selected media and in selected markets—globally and locally
- Expand the Business Innovation Network's portfolio of international companies

Accomplishment to date

- Strategic international business missions: In 2007, the County sent business delegations to Europe, Israel and India. In 2008, business missions went to Korea and China to strengthen business relationships, assist County firms in expanding business opportunities and market the County as a *Smart Location* for international firms and investments
- » As a direct result of these business missions, the County welcomed over a dozen international companies from India, the U.K., the Netherlands, Korea and China in 2007 and 2008. DED has been invited to speak at IndiaSoft 2009, the largest IT/AT conference of India. Chungbuk Province (Korea) has pledged \$2 million in investment support for the incubator facility to be built as part of the County's development of Site II. In addition, the County identified at least 20 Korean prospects and over 12 Chinese prospects that are expected to establish a U.S. presence within the next five years

V. Performance Measures/ Outcomes

The County will use quantifiable measures to assess the overall strength of its economic development strategy, as well as outcomes.

Headline Measure on: DED's Business Attraction, Retention & Expansion Efforts

Outcomes of Business Attraction, Retention & Expansion Efforts will be measured by:

- 1) Jobs created:
 1. By existing business expansion
 2. By new business attraction
- 2) Total new capital investment:
 1. By businesses currently located in the County
 2. By newly attracted companies and business start-ups
- 3) Office space occupied:
 1. By existing business expansion
 2. By new business attraction
- 4) Survey results from the businesses that have participated in County-sponsored technical assistance programs
- 5) Number of prospects in DED's 'active' pipeline that are successfully closed

Headline Measures on: Business Innovation Network

Outcomes of the Business Innovation Network will be measured by:

- 1) Number of new jobs created by incubator tenant companies and graduates

- 2) Number of jobs created by companies participating in the Network per County dollar invested
- 3) Number of companies graduating from the Network that occupy commercial space in Montgomery County

Sub-Measures

A) *Financing Programs (Economic Development Fund)*

Outcomes of Financing Programs will be measured by:

- 1) Number of EDF transactions completed
- 2) Number and value of Micro-loans awarded
- 3) Number and value of Small Business loans awarded
- 4) Number and value of Impact Assistance grants provided
- 5) Ratio and dollar value of all external funds leveraged per County dollar invested
- 6) Number of jobs created or retained through these programs

B) *Capital Project investments*

Outcomes of Capital Projects investments will be measured by:

- 1) Ratio of private sector and non-County investment to County funds invested
- 2) Jobs created through DED led development projects

C) Marketing Programs*Outcomes of Marketing Programs will be measured by:*

- 1) Number of companies participating in "I Am Montgomery"
- 2) Number of new contacts (prospects) developed
- 3) Number of Web site hits

D) Global Linkages*Outcomes of Global Linkages will be measured by:*

- 1) Amount of new foreign investments in County per County dollar invested
- 2) Number of jobs created by international companies that DED assisted

E) Workforce Services*Outcomes of Workforce Services will be measured by:*

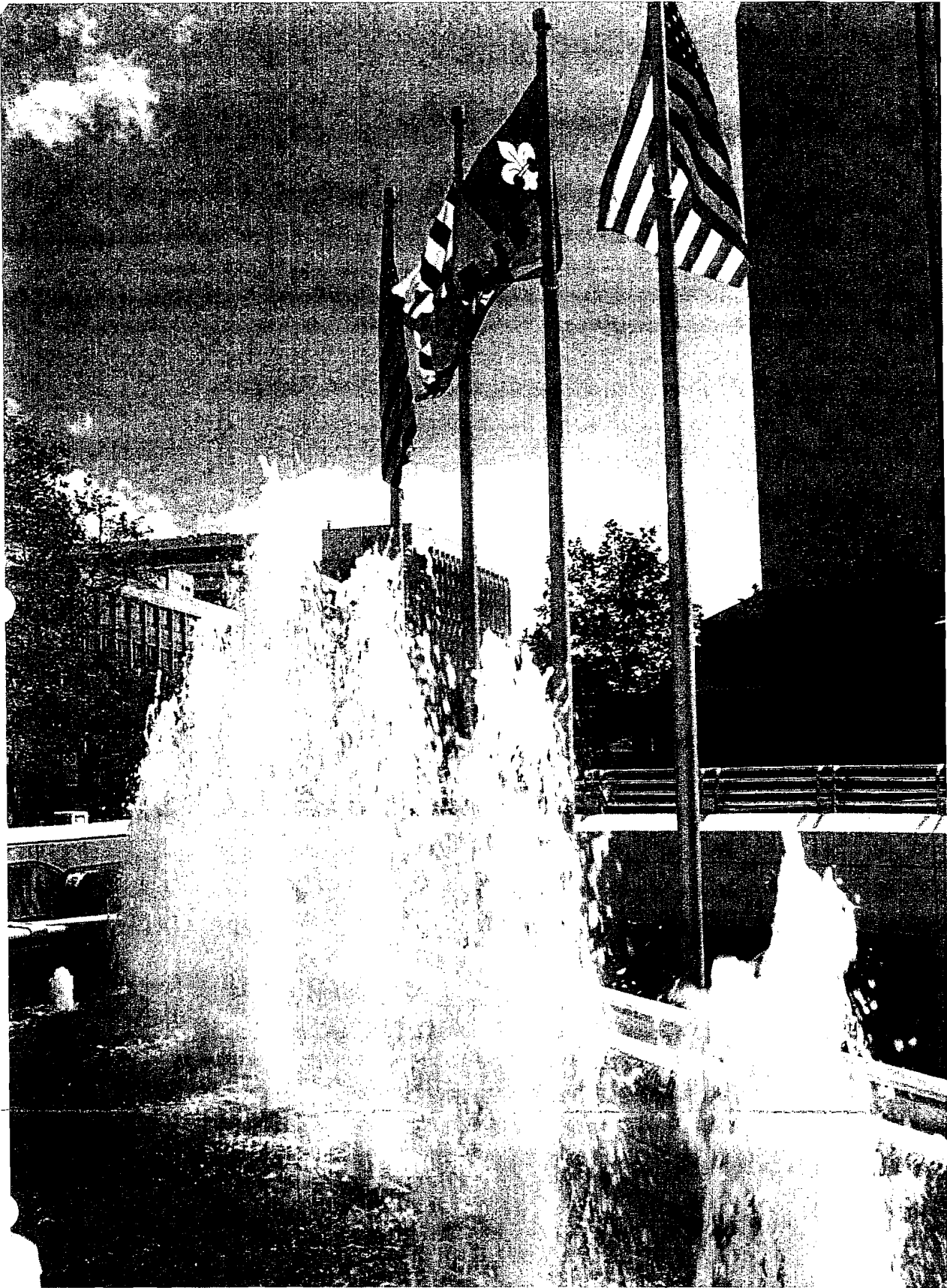
- 1) Number of job-seeking customers in the Intensive Service Program that are placed in jobs
- 2) Number of employers assisted with training and recruitment

F) Agricultural Services*Outcomes of Agricultural Services will be measured by:*

- 1) Cumulative and current year acres of farmland protected
- 2) Number of Farmers' Markets in operation
- 3) Number of farms or farm businesses assisted

Acknowledgements

The department is deeply grateful for the contributions to this report by the following individuals: Pat Arnold, Sol Graham, Jennifer Hughes, Sheila Khatri, Les Levine and William G. "Bill" Robertson, as well as the members of the County Council's Planning, Housing and Economic Development Committee. The following DED staff members also contributed: Tina Benjamin, Sarah Miller, James Moody and Corinne Rothblum.





MONTGOMERY COUNTY, MARYLAND

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Montgomery County
Senior Executive Performance Plan

Department of Economic
Development

Last Update December 9, 2008

1. CONTRIBUTION TO MONTGOMERY RESULTS

- ① Strong and Vibrant Economy
- ② Vital Living for All of Our Residents
- ③ Healthy and Sustainable Communities
- ④ A Responsive and Accountable County Government

2. DEPARTMENT OF ECONOMIC DEVELOPMENT AT A GLANCE

What DED Does and for Whom	How Much (FY08)	FY09
<p>Overall</p> <p>DED's vision is to make Montgomery County the "Smart" business location in a competitive, knowledge-based, global economy. Its core mission is the creation, retention, expansion and attraction of businesses in the County to foster investment and job creation, develop strategic infrastructure projects such as technology and life sciences parks, business incubators, conference center and multi-use arena, and manage five business incubators in the County's Incubator Network.</p>	<ul style="list-style-type: none"> • 49.1 WYs plus 2 WYs outside of DED • \$4,428,614 in personnel costs • \$3,687,081 in operating costs • 1 WY and \$820,000 for the Economic Development Fund separate from DED • 1 WY and \$540,000 for the Conference Center in Non Departmental Account 	<ul style="list-style-type: none"> • 45.6 WYs plus 2 WYs outside of DED • \$5,077,990 in personnel costs • \$2,970,590 in operating costs • 1 WY and \$852,440 for the Economic Development Fund separate from DED • 1 WY and \$567,090 for the Conference Center in Non Departmental Account
<p>Marketing and Business Development</p> <ol style="list-style-type: none"> 1. Showcases the assets of the County in a global economy through promotional activities, communication, event coordination, global marketing and advertising, and dissemination of information through various media. 2. Attracts and retains businesses with qualified business leads ("Prospects") identified through research, business visitations, contacts, networking, tradeshow, and business missions. 3. Helps strengthen key industry clusters in the County through targeted industry sector programs. 	<ul style="list-style-type: none"> • 18% of DED budget • 8 WYs. • \$1,005,515 in personnel costs • \$486,487 in operating costs • Makes 2,000 - 2,400 contacts/year to develop 220 plus prospects/year. 	<ul style="list-style-type: none"> • 22% of DED budget • 10 WYs. • \$1,299,735 in personnel costs • \$508,450 in operating costs • Makes 2,000 - 2,400 contacts/year to develop 150 plus prospects/year.

What DED Does and for Whom	How Much (FY08)	FY09
<p><u>Small and MFD Business Support (Business Empowerment)</u></p> <ol style="list-style-type: none"> 1. While ensuring that the knowledge-based economy enhances all sectors of the business community, focus on providing direct hands-on support to the County's small, ethnic minority, and woman owned businesses by developing resources such as technical publications, and forming service delivery partnership such as SBDC, LEDC, and Macklin Institute, and Dingman Center. 2. Operates programs such as Incubator Network, Mentorship Program, and the Micro-Enterprise Program to a selected number of businesses or entrepreneurs to improve their growth or smooth establishment of their business ventures. 	<ul style="list-style-type: none"> • 37% of DED budget • 11 WYs (5 for the Incubator Network) • \$1,151,553 in personnel costs • \$139,991 in general operating costs • Delivers 45-50 training events/year for Small and MFD businesses • \$1,733,130 in operating funds for the Incubator Network • Incubates 85-110 companies/year 	<ul style="list-style-type: none"> • 32% of DED budget • 11 WYs (5 for the Incubator Network) • \$1,257,742 in personnel costs • \$70,800 in general operating costs • Delivers 45-50 training events/year for Small and MFD businesses • \$1,263,400 in operating funds for the Incubator Network • Incubates 110-135 companies/year
<p><u>Finance, Administration, and Special Projects</u></p> <ol style="list-style-type: none"> 1. Stimulates business growth and expansion by underwriting and issuing grants and loans from the five programs of the Economic Development Fund (EDF). Focus is to induce capital investment and job creation from the private businesses and to leverage funds from the state and other public entities for the County's projects. 2. Plans, develops, and manages capital projects that add growth capacity for the County through private/public, or public/quasi-public entity partnerships. 3. Provides back office functions to all other divisions in the areas of: procurement, finance, budget planning and execution, office administration and automation. 	<p><u>DED</u></p> <ul style="list-style-type: none"> • 12% of DED budget • 6 WYs • \$651,821 in personnel costs • \$281,957 in operating costs • Oversees two technology park projects <p><u>EDF</u></p> <ul style="list-style-type: none"> • 1 WY charged to EDF • \$820,000 in base budget • Conducts due diligence on 75-85 applications to underwrite 25-30 EDF transactions/year <p><u>Conference Center NDA</u></p> <ul style="list-style-type: none"> • 1 WY charged to NDA • \$540,000 in operating fund 	<p><u>DED</u></p> <ul style="list-style-type: none"> • 12% of DED budget • 7 WYs • \$743,364 in personnel costs • \$226,300 in operating costs • Oversees two technology park projects <p><u>EDF</u></p> <ul style="list-style-type: none"> • 1 WY charged to EDF • \$852,440 in base budget • Conducts due diligence on 75-85 applications to underwrite 10-15 EDF transactions/year <p><u>Conference Center NDA</u></p> <ul style="list-style-type: none"> • 1 WY charged to NDA • \$567,090 in operating fund

What DED Does and for Whom	How Much (FY08)	FY09
<p><u>Workforce Development</u></p> <ol style="list-style-type: none"> 1. Operates three One-Stop Career Centers in the County to provide array of career assessment, job readiness training, skill enhancement training services to dislocated workers and at-risk youth population. 2. Provides job placement service to job-seeking public, and provides recruitment services for employers, as well as creating targeted services for employers in key industry clusters 	<ul style="list-style-type: none"> • 12% of DED budget • 5 WYs from County Funds and 1 WY in Grant Fund • \$364,283 in personnel costs • \$592,491 in operating costs • US Department of Labor's \$2.1M grant supports One Stop Career Centers 	<ul style="list-style-type: none"> • 14% of DED budget • 5 WYs from County Funds and 1 WY in Grant Fund • \$524,978 in personnel costs • \$595,103 in operating costs • US Department of Labor's \$2.7M grant supports One Stop Career Centers
<p><u>Agricultural Industry Support</u></p> <ol style="list-style-type: none"> 1. Protects farmland and environmental resources through protective easements and Transferable Development Rights (TDRs). 2. Supports, and facilitates agricultural community's stabilization through soil conservation training and education; draught assistance, planning and marketing assistance for the farmer's market and farm tours, providing technical assistance to implement best farming practice, and providing guidance on developing alternative crops and revenue sources. 	<ul style="list-style-type: none"> • 12% of DED budget • 7.2 WYs (plus 2.6 WY charged to CIP) • \$686,519 in personnel costs • \$325,803 in operating costs • \$6.4 million and 1.4 WY in Land Preservation CIP • 2,000 plus acres/year protected 	<ul style="list-style-type: none"> • 12% of DED budget • 7.2 WYs (plus 2.6 WY charged to CIP) • \$730,324 in personnel costs • \$273,347 in operating costs • \$6.4 million and 2.6 WY (\$294,943) in Land Preservation CIP • 2,000 plus acres/year protected
<p><u>Business Advocacy (Director's Office)</u></p> <ol style="list-style-type: none"> 1. Provides strategic planning and initiates various studies so County is always updated on its business/economic base profile. 2. Establishes strategic partnership with the federal/state agencies, higher educational institutions, and industry groups on behalf of the County's business communities to foster synergistic economic development. 3. Provides leadership in legislative initiatives to ensure that the County business communities' interests and needs are reflected and protected in newly introduced legislations. 4. Establishes global linkages, and serves as the global ambassador for the County utilizing various means of media. 5. Coordinates the department's media and public relations and generates press releases for the department and the County businesses. 	<ul style="list-style-type: none"> • 8% of DED budget • 5.2 WYs. • \$568,924 in personnel costs • \$137,223 in operating costs 	<ul style="list-style-type: none"> • 7% of DED budget • 4.5 WYs. • \$521,851 in personnel costs • \$33,150 in operating costs

3. HEADLINE MEASURES

Headline Measure Group #1 (under construction):

Quantifying DED's Business Attraction, Retention & Expansion Efforts

Outcomes of Business Attraction, Retention & Expansion efforts will be measured by:

- ① Jobs created
 - 1. By existing business expansion
 - 2. By new business attraction
- ② Total new capital investment:
 - 1. By businesses currently located in the County
 - 2. By newly attracted and started businesses
- ③ New Commercial Space Occupied:
 - 1. By businesses currently located in the County
 - 2. By newly attracted and started businesses
- ④ Survey results from businesses that participated in County sponsored technical assistance and training programs
- ⑤ Total number of prospects in DED's 'active' pipeline and the number that are successfully closed to gauge the total and the percent success rate.

Headline Measure Group #2 (under construction):

Quantifying DED's Incubator Program

Outcomes of Business Incubator Program will be measured by:

- ⑥ Number of new jobs created by incubator tenant companies during the incubation period and post graduation.
- ⑦ Occupancy rate, graduation rate, and residency rate of each incubator
- ⑧ Number of Intellectual Property issued to and amount of federal research grant and private equity financing received by incubator companies (5 year window from the Incubator admission date). * This data, although not easy to track due to proprietary nature, will be a key success outcome of incubator program. As such, will be tracked and reported to the maximum data availability.

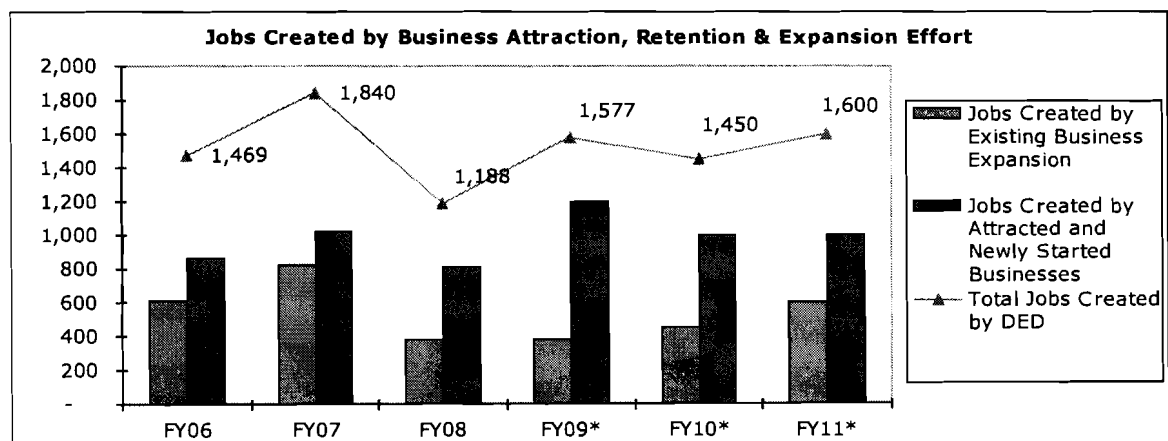
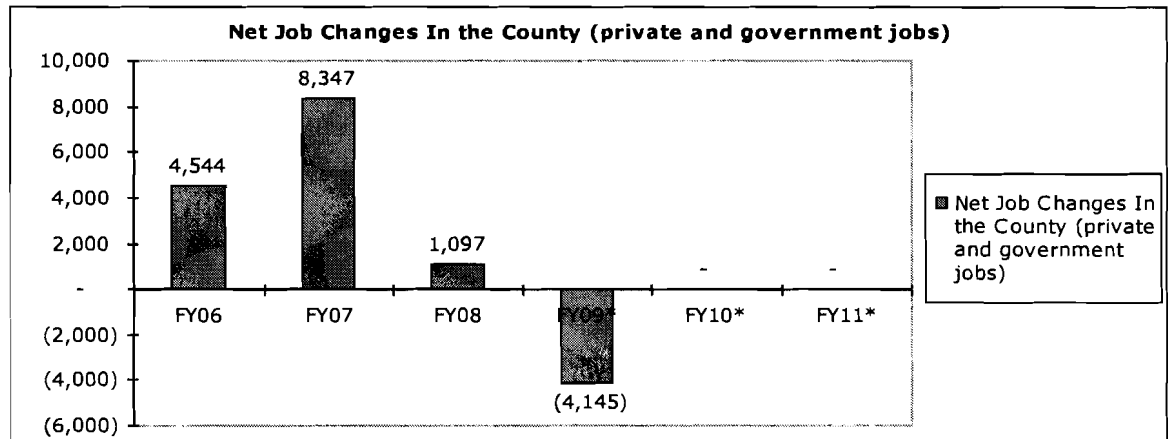
4. PERFORMANCE

Headline Measures on: DED's Business Attraction, Retention & Expansion Efforts

The performance measure ① through ⑤ shows the overall success of DED's business attraction, retention and expansion effort. Fiscal Years with asterisk denote projected outcome.

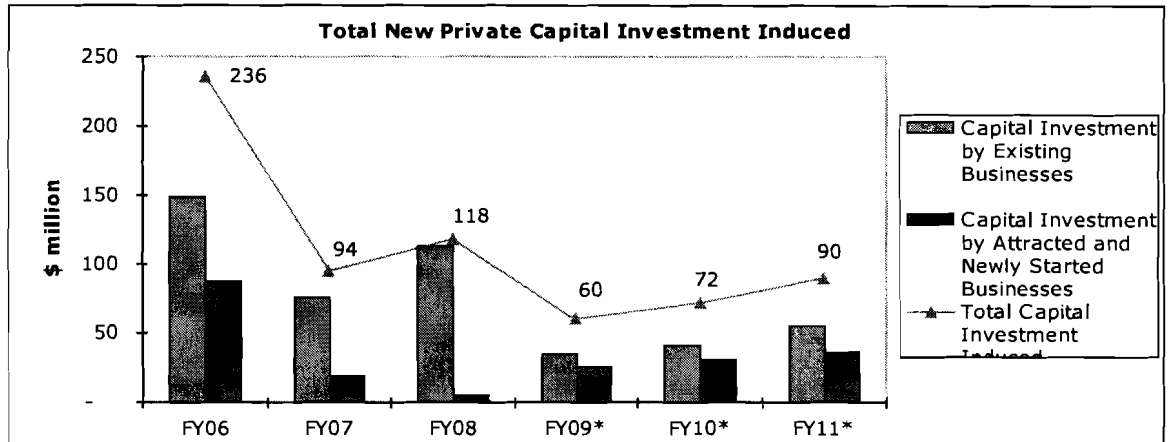
① Number of Jobs Created by Existing Business Expansion

This performance measure shows overall success of DED business development effort. Due to the different types of marketing programming and resources deployed, jobs created by retention effort are tracked separately from jobs created by attracted businesses (including new startups) to monitor the impacts of retention vs. attraction effort.



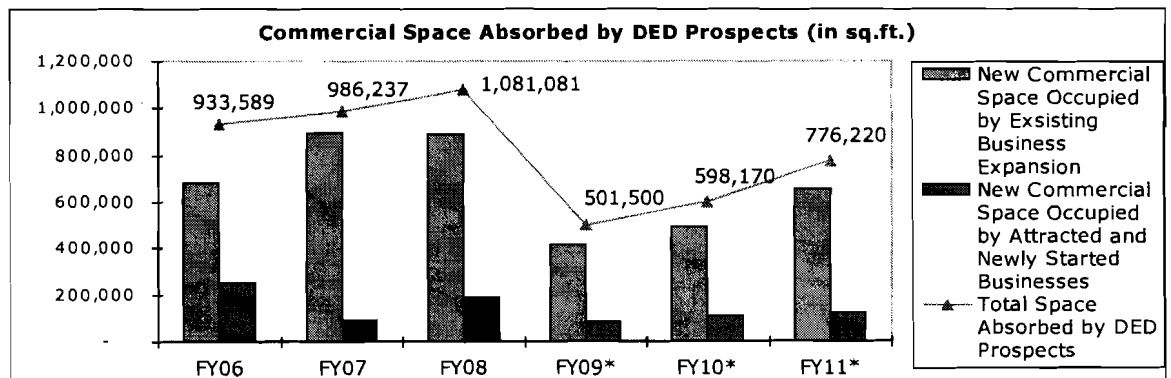
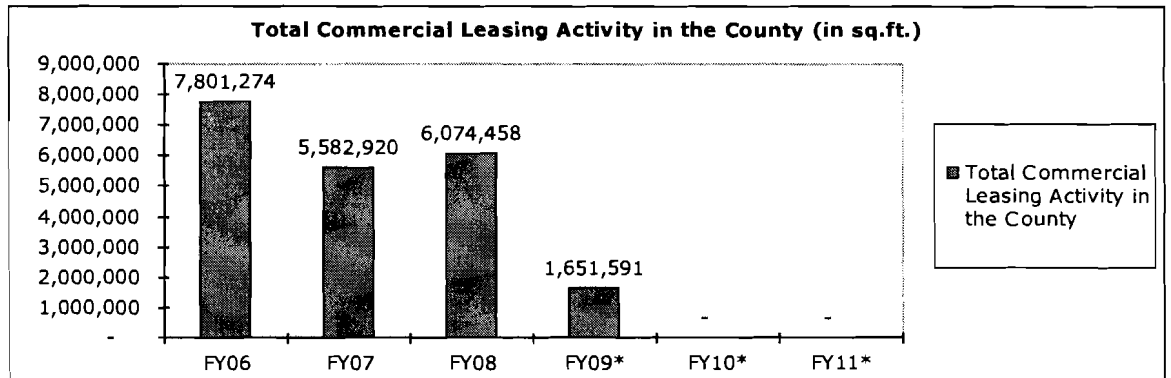
② Total New Capital Investment

This performance measure shows the amount of capital invested by DED's successful prospect closings. This measure is important as it is directly tied to the amount of new tax revenues (particularly on real property) that County will receive.



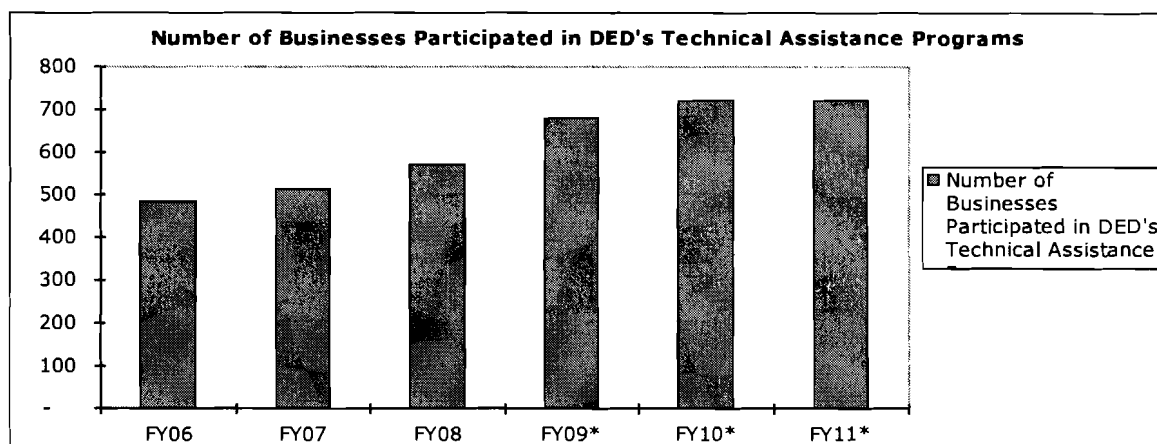
③ New Commercial Space Occupied:

This performance measure shows the new commercial space consumption by DED's successful prospect closing. This measure not only captures DED's contribution in lowering the vacancy rate of the County's commercial space inventory but only enables DED to monitor trends (per employee spending, space need by industry, etc) in commercial leasing and new construction.



④ Number of businesses participated in County sponsored technical assistance programs

This performance measure shows the level of success in DED's Small, Minority, Female, and Disadvantaged business outreach effort and placement of business assistance programs. The participation number will indicate the effectiveness of DED's outreach method and the relevancy of program placement addressing the need of the business communities.



* due to DED's database migration in process, refined numbers will be available by April 2009.

Direct Technical Assistance

- This category is defined as direct contact or training provided to individuals including one-on-one and group meetings and consultations, incubator tenant consultations, business visits, seminars and presentations, walk-ins and telephone calls. This category will track the dissemination of specific information on items such as a) starting a business, b) requirements for admission into the incubator network, c) information on available DED programs and services and d) assistance with procurement or other issues. DBE will create a standardized "Sign In Sheet" template to be used for each event.
- **Survey Methodology and Frequency**
DED will create a standard electronic survey instrument that will assess the usefulness of the service or program delivered to clients and their satisfaction with the information received. A random sample of approximately 20% of clients served will be implemented on a quarterly basis.

All Innovation Center Tenants will be surveyed on an annual basis.

Indirect Technical Assistance

- **Information and Referral** – There are private and public groups that provide services to small businesses and there are organizations where DED has established specific strategic partnerships to provide services to small businesses. DBE routinely refers businesses seeking assistance to these organizations. This category will track the number of referrals by DBE to these organizations and include the reporting by the Small Business Development Centers and the Latino Economic Development Corporation.
- **Survey Methodology and Frequency** - The Small Business Development Center and the Latino Economic Development Corporation conduct client evaluations of their programs and services. The result of these evaluations will be included in this section.

Additionally, wherever possible we will utilize the DBE standard electronic survey instrument as described in Direct Technical Assistance. A random sample of approximately 20% of clients served will be implemented on a quarterly basis.

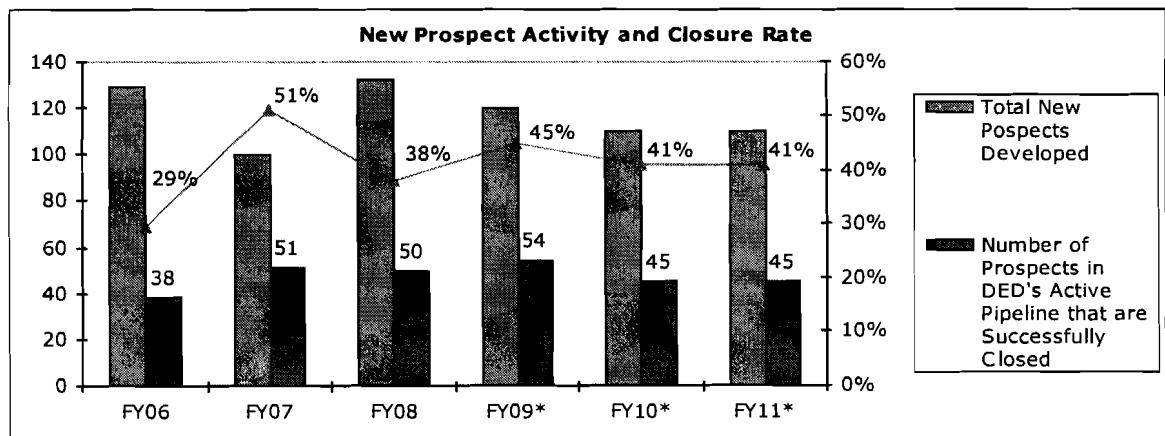
- **Outreach and Marketing** - This measure will track all contact with individuals or groups where DBE staff is “marketing” and/or providing information about services available within DED. Examples of this type of technical assistance will include attendance at procurement fairs, trade shows, attendance/presentations at various business and professional groups, hosting foreign delegations, hosting outside groups in DED facilities, Innovation Network tours, events where DED partners with other organizations and similar types of events.
- **Survey Methodology and Frequency**
Whenever possible, we will maintain attendance lists of all attendees (including email addresses) and provide a cumulative total of the number of individuals. In instances where DBE is a participant with other groups, we will obtain the results of the evaluation completed by the organization. Annually, DBE will conduct an on line survey of approximately 10% of the clients served using the standardized survey instrument. Additionally, all partnering organizations will be asked to share the results of their satisfaction surveys with DBE. If we are just attending an event, we will request the host/organizer to provide attendance list to us.

Survey Questions:

- The survey instrument will include no more than 10 questions that will include both yes or no responses and rate satisfaction by the following categories: Strongly Agree, Somewhat Agree, Unsure, Somewhat Disagree, and Do Not Agree. At least one question will give the client the opportunity to provide narrative comment regarding the service received.
- The instrument can be anonymous if desired, and include unbiased questions.

⑤ Number of prospects in DED’s ‘active’ pipeline that are successfully closed.

This performance measure shows the effectiveness of DED’s marketing and business development effort. Though marketing, research, and networking, contacts with businesses are developed, and these contacts are screened to separate prospects (defined as business that has expansion/relocation plan within 6-18 months of contact date). Considering the fact that historically less than 10% of the contacts are ultimately screened as prospects, generating sufficient number of contacts and efficient closing of screened prospect cases are critical to DED’s success.

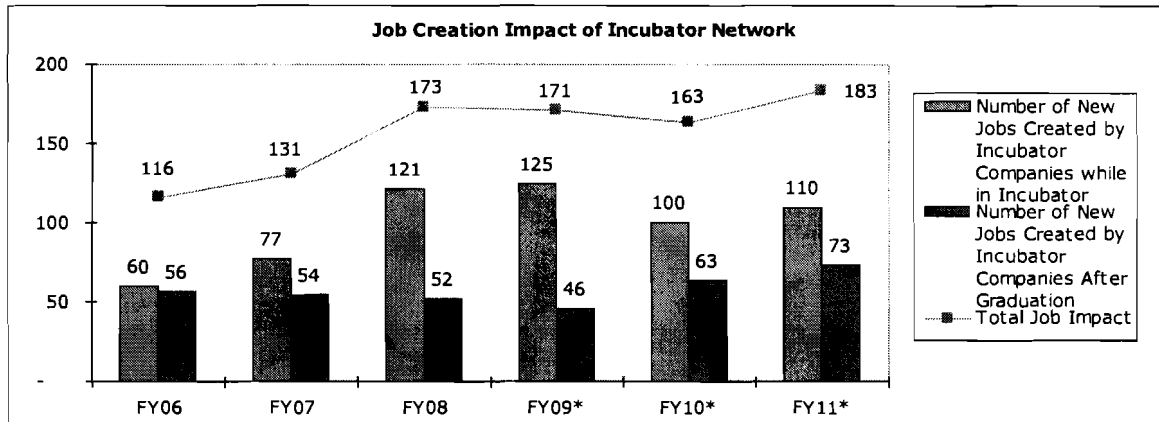


Headline Measures on: DED's Incubator Program

Outcomes of Business Incubator Program will be measured by:

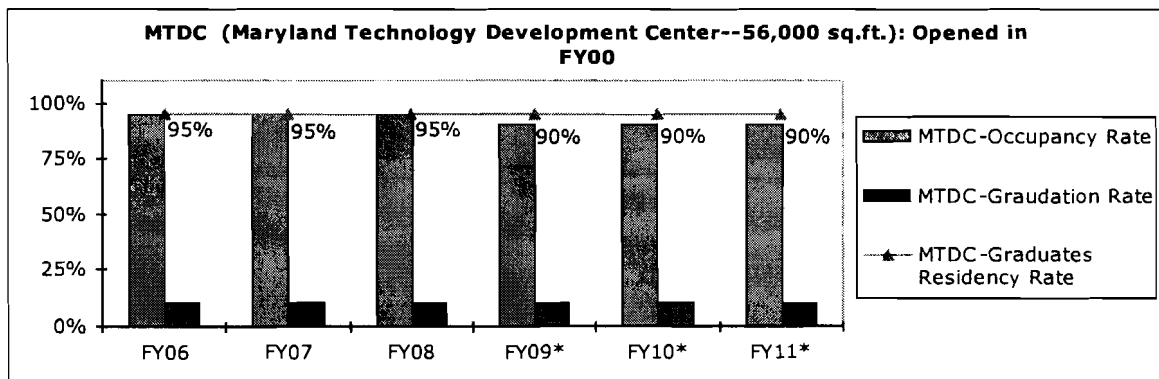
- ⑥ Number of new jobs created by incubator tenant during incubation period and post graduation.

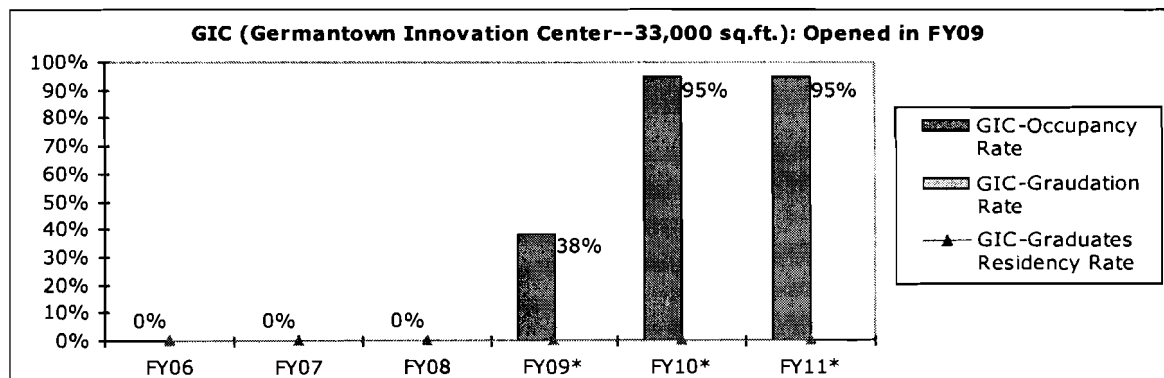
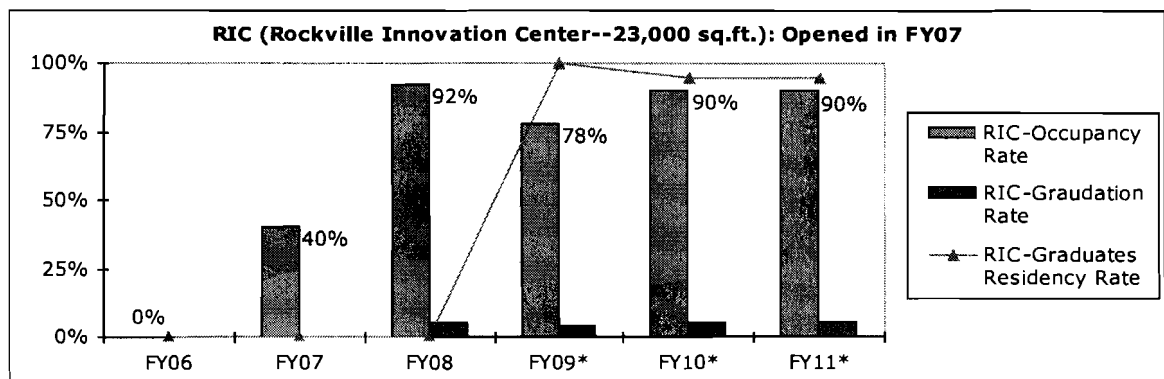
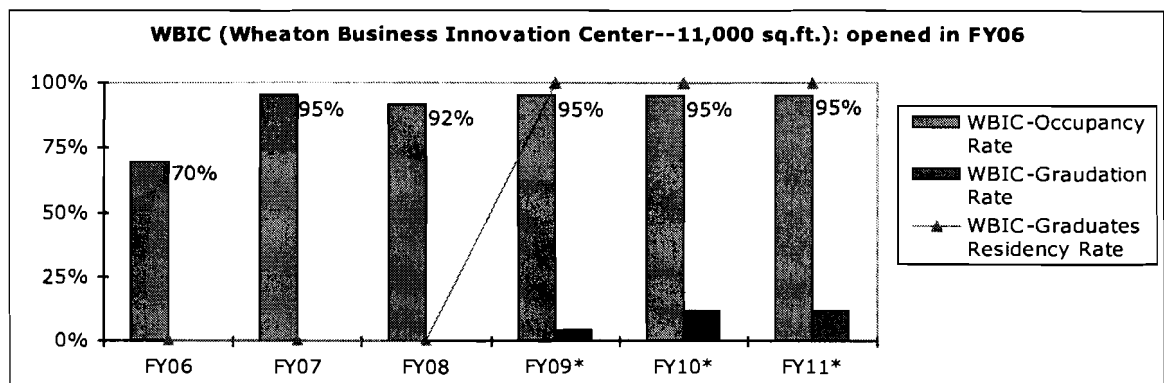
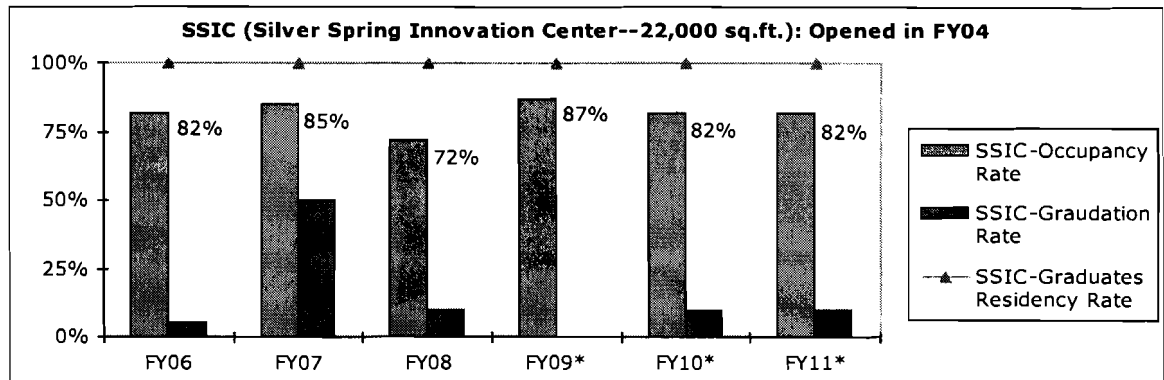
This performance measure shows the effectiveness of DED's Incubator Programs in developing and nurturing early stage and start-up companies to market ready companies that create jobs and occupy commercial space in the County..



- ⑦ Occupancy rate, graduation rate, and residency rate of incubators in the network.

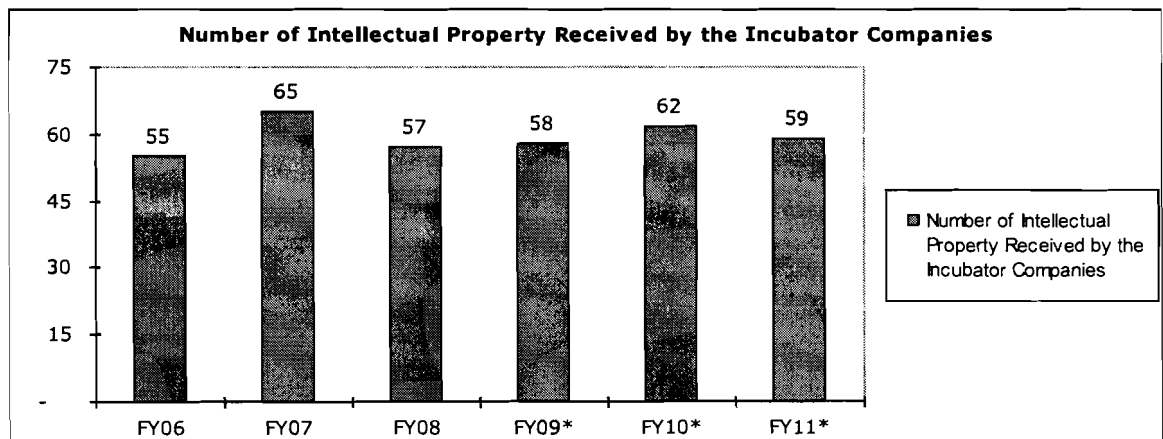
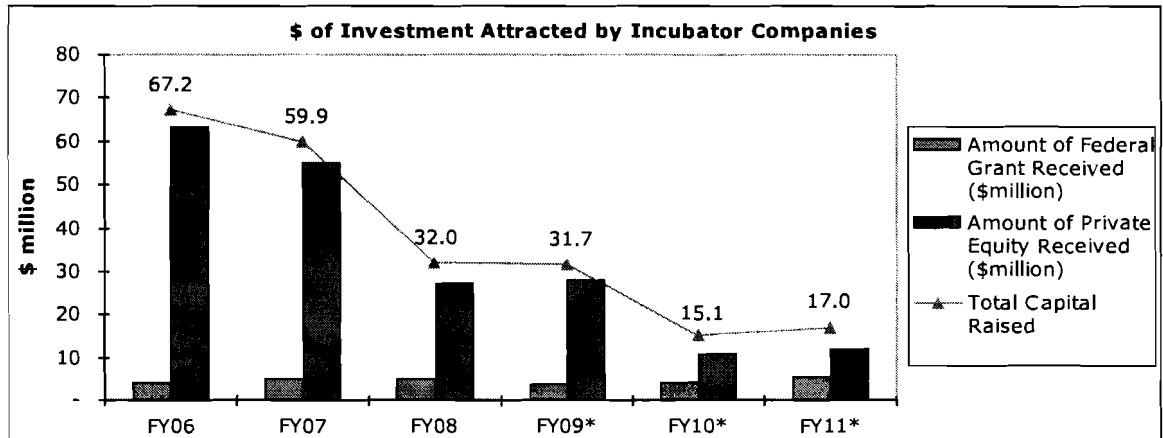
This performance measure shows the effectiveness of County funds in creating new knowledge based jobs in the County. While most jobs are created by the Incubator companies after they graduate, the jobs they create during their stay in the Incubator is a comprehensive measure of DED's screening process for new incubator companies, size and timeliness of the financial assistance that DED either offers directly or facilitates, and the adequacy and the effectiveness of the technical training and networking programs that DED provides to the Incubator tenants.





- ⑧ Number of Intellectual Property issued to and amount of federal research grant and private equity financing received by incubator companies (5 year window from the Incubator admission date). * This data, although not easy to track due to proprietary nature, will be a key success outcome of incubator program. As such, will be tracked and reported to the maximum data availability.

This performance measure gauges the economic impact and the societal impact of Incubator Program in making new scientific and technological discoveries, and enabling commercialization of those discoveries.



5. STORY BEHIND PERFORMANCE

Headline Performance Measure	Contributing Factors	Restricting Factors
Business Attraction, Retention & Expansion Effort	<ol style="list-style-type: none"> 1. Locational advantages and high quality of life in the County. 2. Abundance of business resources and proactive business organizations that support entrepreneurship. 3. Strong partnership with the State to promote business attraction and retention. 4. Recent emphasis on international prospect missions and attraction of foreign direct investment. 	<ol style="list-style-type: none"> 1. Limited marketing funds to carry out a sustained marketing campaign and distribute collateral material (both within and outside of the region). 2. Lack of a unified service delivery system to business community. 3. Scarcity of seed funding for early stage companies. 4. High costs of conducting business due to market conditions and governmental regulations. 5. Competitiveness of the region's other jurisdictions in attracting businesses. 6. High cost of living and State tax structure for businesses.
Incubator Program	<ol style="list-style-type: none"> 1. Strong knowledge based economy of the County encourages entrepreneurship and the spin off of new entrepreneurs. 2. Presence of five top-notch incubator facilities at strategic locations in the County. 3. Quality and number of management training and networking events offered to incubator companies. 4. Ability to provide flexible terms to meet each company's requirements. 5. On-site staffing assistance to resolve operational and facility related issues. 6. Good supply of high-tech work force. 	<ol style="list-style-type: none"> 1. Due to recession, more commercial space is available for potential incubator tenants at lower rate than County's incubator. If incubator rates are lowered to match the market condition, then more operational subsidy will be required to meet the debt service requirements of three incubators. If the rates are not lowered, the vacancy rate will rise resulting in less revenue and hence an additional subsidy requirement from the County will be required. 2. Incubators operate with a minimal subsidy from the County. As a result, their budgets are very limited in providing the type of more sophisticated support services and programs high-tech incubator companies require, and other incubators are starting to provide. 3. Very labor intensive services required to support incubator companies. Current staffing of one professional per incubator facility is insufficient to provide the desired level of service. 4. Strong competition from region's other incubators, require expanded and innovative marketing.

5. WHAT WE PROPOSE TO DO TO IMPROVE PERFORMANCE

To Address:

- High costs of conducting business due to market conditions and governmental regulations, including the County's land use policies.
- Competitiveness of the region's other jurisdictions in attracting businesses.
- Insufficient marketing funds to carry out a sustained marketing campaign and distribute collateral material (both within and outside of the region) to develop sustained prospect flow.
- Direct funding program-the EDF-depleted fund balance

Innovations/New Initiatives

- Create comprehensive prospect guide book for each targeted industry sector demonstrating that County's locational advantages, abundance of resources, and easy access to highly educated workforce outweighs real and perceived higher costs and longer process of doing business in Montgomery County.
- Develop 1-2 international trade missions per year to attract foreign prospects/investment (India mission in FY08 was the first, and Korea and China missions were completed in FY09).
- Develop and implement a strategy to enhance technology transfer from County R&D facilities to the business community through partnerships with organizations such as the Technology Development Corporation of Maryland and Federal Labs Consortium.

To Address:

- Long and complicated development process for capital projects.

Innovations/New Initiatives

- Conduct regular (quarterly) prospect/project meetings with Park and Planning Commission, DHCA, DPS, and Regional Services Center to identify significant prospect activities and provide unified and seamless support services to complete the prospect/project transactions.
- Identify and maintain directory of point staff in all governing agencies that can trouble shoot business related issues.

To Address:

- Direct funding program-the EDF-depleted fund balance
- Scarcity of seed funding for early stage companies.

Innovations/New Initiatives

- Establish a formal working relationship with the national Venture Capital Institute to create a referral and matchmaking network to assist County's advanced technology and life sciences companies seeking growth capital. There is evidence that venture capital investment is made through a rather small circle/network of investors—particularly on Series A or B round.
- Facilitate the creation of training and networking programs for persons and organizations willing to invest—particularly from Asia--in small advanced technology and life sciences companies in the County. In FY08, DED has brokered three investments to County biotech companies from Korea and India, and making progress for two in FY09
- Develop partnerships with federal laboratory groups and State/federal programs to enhance business opportunities for technology transfer and innovation in the women and minority-owned business communities.

Pre-Existing Efforts

- Seek supplemental appropriations to replenish the EDF balance.

To Address:

- Current vacancies and staff resources not adequate to meet the demand of County's estimated 40,000 small businesses.

Innovations/New Initiatives

- Strengthen strategic partnerships and develop collaborative outreach events with the Office of Procurement to enhance available contract opportunities to local and/or small businesses.
- Enhance alliances with resource partners by facilitating and conducting small business walking tours with the U.S. Small Business Administration, Maryland Small Business Development Center Network, and other business groups.
- Create better communication channels through listservs, web site postings and partnering with other organizations.

Pre-Existing Efforts

- Expand the Small Business Mentorship Program.
- Become an integral participant/sponsor of the Federal Laboratory Consortium and create an intra-County network of federal labs, providing new linkages and closer ties with those who promote tech transfer within the labs.
- Participate in marketing, promotion and strategic development working groups on tech transfer within Maryland, to enhance and leverage the County's investment with partners such as TEDCO, University of Maryland, Johns Hopkins University, Rockville Economic Development Inc., and Montgomery College.
- Request for a waiver to fill the current vacancies.